CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM
305 W. PINE STREET
TUESDAY, MARCH 30, 1999

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, March 30, 1999 commencing at 7:00 a.m.

ROLL CALL

Present: Council Members – Hitchcock, Mann (left at 7:40 a.m.), Nakanishi, Pennino and Land (Mayor)

Absent: Council Members – None

Also Present: City Manager Flynn, Deputy City Manager Keeter, Community Development Director Bartlam, Finance Director McAthie, Electric Utility Director Vallow, City Attorney Hays and City Clerk Reimche

Also present in the audience was a representative from the Lodi News Sentinel and The Record.

TOPIC(S)

1. Electric Utility Competition Transition Plan

ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at approximately 8:20 a.m.

ATTEST:

Alice M. Reimche
Alice M. Reimche
City Clerk

ELECTRIC UTILITY DEPARTMENT

Memorandum

TO:	**Honorable Mayor** **Councilmembers** **City Manager** **Deputy City Manager** **City Attorney** **Finance Director**
FROM:	**Electric Utility Director**
DATE:	**March 29, 1999**
SUBJECT:	**Competition Transition Plan**

The following is an excerpt (in draft form) from what has been referred to as the Electric Utility's Competition Transition Plan. The attached document contains a competitive analysis which Electric Utility staff is comfortable with. The focus is clearly on the existing financial position of the Electric Utility and on certain recommendations to better position the Electric Utility for future competition. If the Council and City management accept the findings, the remaining pieces can be completed including a refined marketing plan, strategic initiatives, and organizational modifications.

You will note an absence of an executive summary. After months of analysis and modifications, we believe that the simplicity of the results warrants a full understanding and buy-in of the approach taken. We hereby submit the following competitive analysis to you for your consideration and hopefully your favorable response.

Competitive Analysis

In order to maintain market share and profitability, a successful business must maintain a high level of customer satisfaction and hence, must maintain a high degree of customer focus. No one doubts the wisdom of this time honored paradigm; however, a successful business strategy must look beyond singular paradigms and instead maintain focus on a broader basis. A successful business strategy must simultaneously balance the complex interactions among the customer, the competition and the internal organization. A balanced strategy approach requires constant testing and evaluation. As customers' needs change or competitive threats emerge, the organization must respond quickly to reestablish dynamic balance.

In terms of the developing competitive electric utility environment, the City of Lodi Electric Utility is a market follower, not a market maker. From an overall market perspective, the size of Lodi's operations is a disadvantage from an economies of scale standpoint; however Lodi does possess a number of identifiable strengths which will serve to assist in further developing an established niche market. Those strengths include:

- A well defined customer base in terms of both geographics and demographics.
- An existing relationship with customers on a full service basis.
- Non-generation related costs and overheads which are extremely low compared to regionally comparable services.

Goals

Requisite to the development of a successful competitive strategy, a well formed set of strategic goals need to be developed. All actions taken to transition into a more competitive mode of operation should further one or more of the established goal set. For purposes of the City of Lodi's Electric Utility's transition into a competitive utility environment, the appropriate goal set must be robust enough to capture the full spectrum of utility operations from customer service and maintenance to financial planning. The later forms the focal point of a sound business strategy considering the transition is from a monopoly to a competitive environment. Without a solid, well developed financial plan, none of the following goals are attainable:

- Maintain a cost of service structure, which is regionally competitive.
- Provide services at "best of industry" levels.
- Maintain a high rate of return to the community.
- Adopt "best of Industry" business practices.

AB 1890

In September of 1996, the California Legislature passed a landmark reform bill which fundamentally changed the way the electric utility industry would conduct business in the future. The bill had numerous, sweeping provisions all of which were intended to foster economic growth within the State. The intent of AB 1890 was to force a transition of the electric utility industry from a vertically integrated monopoly structure to a competitively based, market driven provider of energy services. One of the most significant changes that has occurred in the electric industry is the rapid shift from the traditional vertically integrated electric utility to stand alone business units. Traditionally, generation, transmission and distribution services were provided by a single corporate entity. Today, each of California's three investor owned utilities has adopted a corporate/subsidiary structure with a clear delineation between regulated and unregulated business units. The only discernible utility function remaining on a regional basis is distribution services. Deregulation brings with it the prospect that a customer will have the choice of either continuing to receive electric service on a traditional bundled basis or purchase certain pieces of that service from a variety of providers on an "unbundled" basis. With these types of choices becoming available in the market place, the means by which an existing electric utility, like Lodi's, compares its competitiveness has become considerably more complicated. For Lodi, it is no longer appropriate to measure competitiveness using bundled services measures alone. Competitiveness must also be measured on an unbundled services basis - services which are being provided by not just PG&E, but by numerous other market participants. To further complicate the issue, Lodi's electric operations, like other municipally owned electric systems, will remain a vertically integrated provider of services. Lodi will not be able to create a true subsidiary corporate structure and will forgo the strategic advantages inherent in a separate unregulated business unit.

Benchmarks

A competitive analysis of Lodi's electric operations with respect to appropriate competitive benchmarks needs to be conducted before a definitive action plan can be implemented. Electric rates have typically been used as competitive benchmarks. In the past, the common practice was to compare electric utility rate schedules on a regional basis. In Lodi's case, a comparison to PG&E's electric rate schedules was deemed appropriate since the PG&E area essentially surrounds Lodi. This type of comparison presented a clear picture and a sound foundation by which competitiveness could be determined on a customer-by-customer basis. Similarly, most electric consumers purchased their electric service from their local or regional power company and paid a rate for that service based on how much of the service was consumed. Few consumers knew or cared how the rate they paid was allocated among various utilities cost centers. Of interest was the total rate being paid for the "bundled" services being provided.

Competition Redefined

Regardless of a customer's ultimate choice, it is presumed that all customers will continue to make decisions with respect to service provider options in terms of total final cost for a given level of service. Lodi's future competitiveness from a customer's standpoint will be based on costs associated with the same services provided to others on a regional basis by the "next best competitive alternative". That is, if a customer shopped around regionally and chose various unbundled services from the lowest cost suppliers of those services, what would the lowest possible total cost be to that customer? An accurate assessment of Lodi's ability to compete on such a basis is entirely dependent on the cost structure of Lodi's existing services to the extent they can provided on a similar unbundled basis.

Objective - Maintain a total final cost of electric service to the customer which is competitive with a customer's next best regional alternative.

Unbundled Services

Unbundling of services refers to the breaking apart of the traditional "all in" electric rate into its various component parts. In its most basic form, an electric rate can be broken down into three primary components - generation, transmission and distribution. Each of these three components can be further broken down into smaller components. Unbundling of electric services has not only redefined the ratemaking concept; it has also fundamentally redefined who the competition is. It is no longer entirely accurate to benchmark an electric rate against a published regional electric tariff. Generation services are now available from a variety of third party sources and transmission service has largely been taken over by the California Independent System Operator (ISO). Costs associated with generation are market driven and costs associated with transmission is federally regulated. Distribution related costs are regulated either by the state (for the IOUs) or locally (for municipal utilities and districts). From this point forward, any comparison of Lodi's costs to any given competitive benchmark must be done on an unbundled services basis:

Lodi's Cost For	**Competitive Benchmark**
Distribution	PG&E Distribution
Generation	Market Cost of Power
Transmission	California ISO

As discussed previously, Lodi currently provides electric services to its customers on a bundled services basis. In order for Lodi's customers to purchase any competitive services from third parties, it will be necessary for the City Council to adopt an unbundled schedule of services. The degree to which any aspect of electric service is unbundled and the time line in which the unbundling is introduced is largely at the discretion of the City Council. Providing electric services on an unbundled basis is a significant policy level decision. AB 1890 has imposed few limiting requirements with respect to a municipalities' authority in this regard. Electric utility staff believes that an appropriate infrastructure and cost structure can be in place by mid year 2000. The following policy action is therefore recommended:

That the City Council adopt an unbundled rate schedule which will allow all customers to purchase generation related services from third party providers no later than July 1, 2000 – Target date of January 1, 2000.

Developing Competitive Benchmarks

The objective is to provide traditional electric service to the customer on a competitive cost basis and to ensure customer loyalty through the types and quality of services provided as compared to other readily available alternatives. Competitive benchmarks must be developed in terms of unbundled traditional services. Once a benchmark for each component of electric service is developed, a direct comparison to Lodi's component costs can be made. The comparisons of interest will include total final cost to the customer on both a bundled and unbundled services basis. For this purpose, a model has been developed by Henwood Energy Services (Henwood) which allows every component of electric service cost to be detailed for each customer class within the region currently served by PG&E. These costs have been projected through the year 2015 which is the planning horizon currently being used by Lodi. For benchmarking purposes, the rate projections are broken down by both customer class and by rate component. Each rate component for each customer class can then be allocated to the three major cost centers: generation, transmission and distribution. Appendix A contains a more thorough analysis of the modeling technique and base case assumptions.

Comparing Costs

Cost comparisons can be made down to the level of an individual customer on the basis of the same service being provided by the "next best competitive alternative". From a policy perspective, however, customer class rate equity is somewhat less interesting at this juncture than the overall financial health and competitive posture of Lodi's electric operations - Customer class rate equity depends on a sound financial base. The Henwood model provides the basis by which Lodi's existing cost structure can be compared to a utility operation using costs associated with the lowest cost regional competitive alternative. City staff has chosen to use an approach, which establishes maximum revenue that can be supported in a competitive environment. Comparing maximum competitive revenues with projected costs allows for direct analysis of the underlying cost and capital structure of the electric operations for each of the three major cost centers -- Generation, transmission and distribution. Maximum competitive revenues are determined by multiplying the energy sales of each customer class by the next best regional competitive alternative electric rate applicable to that class and then totaling all the customer classes. The maximum competitive revenue amount is then divided by the total energy sales to yield a maximum competitive system average competitive electric rate. A direct comparison between Lodi's projected system average electric rate under its existing cost and capital structure and the maximum competitive system average rate can be made on this basis. This comparison gives a very general indication as to the underlying competitiveness of the existing "base case" financial structure (Figure 1). From this point, each of the three major cost centers can be compared in a similar fashion (Figures 2,3 & 4). This same analytical approach can be made on a customer class or an individual customer basis.

Appendix B contains a detailed analysis of Lodi's current and projected operating results through the year 2015 given its existing cost and capital structure (Base Case).

Distribution

Figure 2 illustrates Lodi's current base case distribution system costs on the same basis as PG&E's distribution system costs. The classical definition of distribution costs has been modified to include all costs, which a distribution system customer is responsible for. The summation of all such costs are referred to as "Distribution and other non-bypassable costs. These costs include traditional distribution system costs plus other costs such as CTC, nuclear decommissioning, power purchase contracts, public benefits program charges, etc. These costs are either allowed or mandated by AB 1890 as appropriate customer charges, which a customer must pay as a condition of being connected to a utilities distribution system. Self-generation by a customer will not preclude the application of these costs to the extent the customer maintains a physical connection to the local distribution utility.

Transmission

Figure 3 illustrates Lodi's current base case transmission costs compared to a regional customer's transmission cost if they currently receive distribution services from PG&E. These costs are perhaps the least well known of any of the unbundled rate components. Currently, ISO charges have been the subject of considerable debate both within the State and at the Federal level. In addition, NCPA is currently negotiating a successor agreement to its interconnection agreement with PG&E. Federal Energy Regulatory Commission (FERC) rulings have held that transmission service must be provided on a non-discriminatory basis with terms and conditions the same for all parties. The implication here is that Lodi's distribution customers should end up paying the same for transmission service as PG&E's distribution customers. The methodology used takes a conservative approach to Lodi's forecasted transmission costs by assuming that the existing transmission cost structure will persist through the year 2010. At that time, it is likely that customers on Lodi's system will pay only ISO related charges and those costs associated with transmission quality enhancements which exceed regional quality standards. Costs associated with Lodi's proposed transmission project fall into the quality enhancement category.

Generation

Generation costs have been the basis for most expectations regarding the prospect of lower future electric rates. The single most important factor impacting the future competitiveness of an electric utility is the amount by which generation costs exceed the market cost of power at any point in time (stranded investment). NCPA has completed a series of refinancing transactions for the purpose of restructuring the outstanding generation debt obligations. The debt restructuring has significantly lowered the stranded investment exposure of the project participants.

The extent to which Lodi faces stranded investment exposure in the future will depend on the actual performance of the generation market over time. By the end of the year 2010, Lodi's generation costs are expected to be near market levels. The primary focus of Lodi's generation cost strategy will, therefore, focus on the primary years of stranded cost risk exposure - the year 2002 through the year 2010. In order to develop a sound stranded cost strategy, a reliable forecast of generation market costs must be available.

Over the past several years, Henwood has provided what is acknowledged as perhaps the best competitive generation market forecasts. The generation market forecast used by Lodi in its competitive modeling is the Henwood "low" market forecast. Use of the low market forecast adds a level of conservatism to the calculation of stranded cost exposure. The low market forecast uses a statistical modeling approach that assumes that actual generation market levels will exceed the forecast 90 percent of the time and the market will actually be lower only 10 percent of the time. Here again, using the low market forecast is a conservative approach which would tend to overstate the magnitude of Lodi's stranded generation investment exposure- the amount by which Lodi's actual generation cost exceeds the competitive market generation price (Figure 4). In an unbundled services environment, stranded investment must be paid for out of cash reserves, free cash flow or through application of a stranded investment surcharge. AB 1890 allows for such a rate surcharge - the Competition Transition Charge (CTC). The CTC is a non-bypassable charge included in the distribution portion of an unbundled rate. For instance, a typical Lodi customer currently pays approximately 5.2 cents per kilowatt-hour for generation. In an unbundled services environment, the same customer would pay the market price for generation plus a CTC included as a distribution charge where:

Lodi Generation Cost - Market Generation Price = CTC

Clearly, the customer would be paying the same amount (5.2 cents per kilowatt hour) unless a third party provider can offer a generation price which is lower than the competitive market or unless the CTC is reduced by some subsidy amount (cash reserves). California's three investor owned utilities are currently charging a generation related CTC which is expected to end no later than March of 2002. Two areas of risk must be considered in development of a final strategy:

- Competitive Risk - California's investor owned utilities will not be charging a CTC beyond the year 2002; and
- Regulatory Risk - It has been assumed that CTC can not be collected beyond the year 2010.

Base Case Analysis

In order to establish an action plan that assures rate competitiveness, an accurate assessment must be made in terms of Lodi's current and future costs given our current business practices. These costs must then be benchmarked to the next best competitive alternative. Figure 1 illustrates Lodi's competitive position with respect to a competitive regional alternative electric rate. The competitive rate was developed following the previously discussed methodology – the summation of PG&E distribution/non-bypassable rates, ISO transmission rates and market generation. This approach allows a system average rate comparison to be made. This comparison is important in order to assess the overall financial health of Lodi's electric operations. Caution must be exercised when making system average rate comparisons due to the high degree of variability between electric usage profiles and load shapes. For instance, two different service areas using identical electric rate schedules will have different system average rates unless the percentage of electric use for each customer class is identical. Lodi's system average electric rate is expected to be higher than most regional system measures due largely to its high percentage of residential customer use. This type of rate differential is also apparent between similar customers located in different areas. A residential customer located in a coastal climate will likely see a lower average annual rate than a customer located in the central valley due to higher summer usage in the valley. Again, the comparison made in figure 1 relates primarily to the financial health of Lodi's electric operation in a competitive rate environment. The degree to which Lodi can be competitive will depend on the relative competitiveness of each of the three major cost centers.

A close look at figure 1 illustrates that Lodi is reasonably competitive on a system average rate base with a competitive advantage until the year 2002 and after the year 2010. This observation would suggest that a closer look at each of the three major cost centers is necessary in order to determine if Lodi's competitiveness in the years 2003 through 2010 can be improved.

At this point, consideration must be given to the means by which Lodi can achieve competitive rate parity within the region. Going back to the previous unbundling analysis, it was noted that the most significant cost component impacting rate competitiveness is Lodi's generation costs. Little can be done prospectively to further reduce Lodi's generation costs. NCPA has completed its debt restructuring – no further savings in that regard should be expected. Operating costs associated with generation compare very favorably to industry benchmarks – significant future savings on this cost component are not expected. Implementation of a CTC and application of cash reserves are the only means by which above market generation costs can be recovered or paid for in a competitive market.

Several municipal utilities have imposed a temporary surcharge on electric sales designed to build up cash reserves. By having sufficient cash reserves, the CTC component of non-bypassable charges can be avoided or minimized after the year 2002(the end of the sanctioned transition period). Another typical approach has been to cut general fund transfers and divert that revenue stream to generation debt reduction. Lodi has rejected these approaches as a first line of defense choosing instead to explore all other means to achieve a competitive rate structure. This commitment was made when rates were frozen in the fall of 1995. If no other means can be found, these remain as options of last resort. The rationale behind this decision is very simple. First, Lodi does not believe that it is in the communities best interest to impose additional rate surcharges at a time when economic growth is just beginning to return to the area. Second, Lodi's electric utility was founded on the basis of providing a source of funding for a variety of community services related directly to local quality of life. Both rates and community benefits derived through General Fund transfers are paramount among the previously established goals.

Lodi's approach to rate competitiveness should not focus on any singular aspect of cost causation. From a customer's perspective, components of cost are somewhat less important than the final, "all in" cost of service. Ultimately, even in an unbundled services world, a customer can be expected to evaluate competitiveness on a total cost basis. The challenge is to ensure that each of Lodi's cost centers is recoverable in an unbundled environment while maintaining a competitive advantage in some fashion.

Lodi's generation costs will be higher than the market projection now and in the future, therefore, either a CTC or application of existing cash reserves can be used to provide for generation cost sufficiency. Transmission costs "are what they are" and do not represent a large enough cost exposure for significant competitive cost reductions. What is left is the distribution cost component and available cash reserves. This is the most reasonable place to begin a search for an alternative to the base case.

Development of Alternatives

Up to this point, the primary focus of the analysis has been on fulfilling the implications of the first of the stated goals - maintaining a regionally competitive cost structure. An acceptable alternative to the Base Case scenario must consider the implications of the entire previously established goal set in a manner which:

- Results in a rate structure that is at or below the total cost of service if provided by the next best competitive alternative.
- Provides flexibility for continued targeted economic development.
- Furthers the previously established goals in terms of service quality and return to the community.
- Provides maximum local control.
- Remains legally permissible given statutory/regulatory limitations.

The method chosen in this analysis will focus on the total costs that a customer would be exposed to if services were provided in a manner consistent with the next best competitive alternative. Using this approach, a comparison can be made between Lodi's projected costs and the revenues which could be expected if capped at the level of the next best competitive alternative given the following assumptions:

- Lodi's current rates will be frozen through July 1, 2002.
- Lodi's rates will be unbundled and all customers allowed to purchase power and other available market services no later than July 1, 2000 – Target date of January 1, 2000.
- All customers will pay a non-bypassable CTC through the year 2010, included in the distribution charge.
- Distribution related charges will be capped at the regional competitive level - Lodi will "buy-down" total distribution costs which exceed the cap.

- Lodi's revenues will be capped at a level equal to the **lesser** of the next best competitive alternative or the maximum permissible regulatory rate beginning on July 1, 2002.

- The transfer to the general fund will be held to 1999 levels through the planning horizon for planning purposes.

The assumptions so stated are not intended to hold a customer captive, but instead are intended to create cost indifference from both a customer perspective and a utility perspective. With generation costs tied to market levels, a customer would be indifferent as to where generation related services come from and the utility would be indifferent as to whether the customer purchased bundled services or chose to "shop around". With perceived cost indifference, customer retention will depend on each customer's perception of service quality and value of the service provided. Recent industry research into the area of customer loyalty indicates that generally, a customer will be willing to pay up to a five percent premium for a high perceived value of service. For analysis purposes, Lodi will continue to view electric service as a pure price based commodity and will not assume that a customer is willing to pay more for superior service. This adds yet another area of conservatism to the analysis.

Findings

The Base Case results showed that application of cash reserves alone are insufficient to "buy down" costs to the target level. In depth analysis of distribution system costs leaves open a very narrow range of options to achieve the stated objectives. From a policy perspective, the first line of scrutiny is generally costs and specifically, which costs can be cut. Traditional utility cost cutting focused on service levels and maintenance. This approach has proven to be counter productive, particularly in a competitive environment where service is the only true means of product differentiation. Deferring maintenance has a chilling effect on service reliability and hence, on business retention and attraction efforts. In Lodi's case, the single highest distribution system cost center is labor. Lodi's ranks within the top 10 percent of utilities nation wide in terms of labor costs benchmarked to virtually every meaningful measure (employees per customer, employees per dollar of revenue and labor cost to kWh sold). Labor savings in an already lean and efficient operation is not a prudent cost cutting approach. Deferring O&M costs and/or capital improvements is similarly self defeating. The only area left is the overall capital structure of the distribution system.

The existing capital structure of Lodi's distribution system is relatively easy to analyze. Lodi has no outstanding debt on its distribution system. All operating and maintenance expenses as well as capital improvements have traditionally been paid for out of current revenues or reserves. The virtues associated with this practice can be debated on a number of levels and certainly justified from the cash flow standpoint of a monopoly enterprise. Its virtues become less certain in the context of a more competitive environment. Simply stated, the expensing of capital improvements in a capital-intensive competitive industry is not a prudent business practice. An equity issue can be made that long-term capital expenses should be paid for by those using the system over the life of the system and not entirely by today's customers. A counter argument can be made that debt is simply a bad thing. Lodi can not achieve a distribution system capital structure similar to its PG&E counterpart because Lodi can not offer equity interests in its physical facilities through stock ownership.

Since Lodi has no outstanding distribution system debt, refinancing or debt restructuring is not an available option. Redefining Lodi's capital structure is confined to two possible alternatives - recapitalization of the existing system or the financing of future capital expenses (or a combination of both).

Capital Financing Alternatives

Recapitalization (Borrowing against the equity of the system) presents a number of tactical hurdles that must be overcome if this method is to be considered a cost-effective means of capital asset management. Generally, the United States Internal Revenue Code limits the extent to which tax exempt debt can be issued for the purpose of recovering past expenses to the prior 90 days. An exception to this rule applies if the municipal electric system's governing body has previously passed a "reimbursement resolution". The Lodi City Council passed such a resolution in November of 1996. The resolution was passed in order to preserve the City's ability to recover a portion of its capital expenses incurred from the date of the resolution forward. The financing of certain capital expenses was contemplated in preparation all Electric Utility budgets beginning in 1996. It is not recommended that capital cost recovery go back beyond that point.

Lodi Electric Utility Staff recommends that the City Council approve the issuance of revenue bonds for the purpose of reimbursing the Electric Utility Capital Outlay Fund in an amount equal to the capital expenditures made from the date of the reimbursement resolution to the date of issuance of the bonds. The amount is approximately $6 million.

There are several legitimate approaches to the handling of future capital needs. Capital Costs can be paid for out of current revenues or they can be financed. Smaller capital costs that are ongoing in nature are best paid out of current revenues, whereas, large capital projects are certainly the most likely candidates for financing. Large projects would include the recently discussed street lighting project, substation additions, new electric utility service center, transmission projects, etc. Capital financing has several distinct advantages. From a practical point of view, it is unlikely that certain capital projects will be undertaken without a capital financing. The rapidly emerging competitive environment places a functional restriction on the use of existing reserves and projected revenues. From an asset management point of view, the payback period can be structured in such a way as to reshape the electric utilities underlying cost structure. Such an approach could be used to lower system costs in the years 2002 through 2010 while still allowing cetain necessary projects to be undertaken. Another advantage today is the historically low interest rate environment. Again, from an asset management point of view, financing in this interest rate environment is a least cost approach to capital investement. A balanced approach using both current revenues and a capital financing would seem to be the most prudent course of action.

Lodi Electric Utility Staff recommends that the City Council approve the issuance of revenue bonds for the purpose of financing certain prospective capital expenditures. The amount is approximately $15 million. It is further recommended that the approval include an additional amount to complete the refinancing of a reliability based transmission system enhancement in an amount not to exceed $15 million.

Analysis of Alternative Structure

A look back at figure 1 reveals ample room for modifications to the cash flow requirements of the Electric Utility over the planning horizon. The proposed capital financing achieves three signifant results. First, existing cash reserves are enhanced thereby increasing the amount by which Lodi can reduce generation cost exposure. Second, by reducing cash flow requirements, the overall revenue requirement can be reduced in those years where the Electric Utility was not competitive in the base case. Third, this approach makes certain necessary capital expenditures possible. Figure 5 illustrates the results of restructuring the cash flow requirements within the distribution system by using a capital financing strategy. Competitiveness of the Electric Utility is enhanced from a cost structure standpoint and quality of service is enhanced due to the types of capital improvements contemplated. Actual costs of service for the distribution component under the proposed scenario are shown in Figure 6. It is clear that this approach moves the cost structure of the Electric Utility closer to the regional structure. This has the net impact increasing the City Council's regulatory authority and reducing unfunded cost exposure on the generation component - Figure 7. A more definitive analysis of the proposed cost structure is included in Appendix C.

Lodi Electric Utility Goals

- Maintain a cost of service structure , which is regionally competitive

Lodi Electric Utility Goals

- Provide services at "Best of Industry" levels

Lodi Electric Utility Goals

- Maintain a high rate of return to the Community

Lodi Electric Utility Goals

- Adopt "Best of Industry" business practices

Competitive Rate Methodology

- Determine maximum revenue in a competitive environment.
- Fit all costs within revenues.
- Unbundle costs into 3 primary components: Generation / Transmission / Distribution
- Compare unbundled rates to competitive benchmarks.
- Modify unbundled cost to meet or beat competitive benchmarks.

Lodi's Strengths

- A well defined customer base in terms of both geographics and demographics.
- An existing relationship with customers on a full service basis.
- Non-generation related costs and overheads which are extremely low compared to regionally comparable services.

Calculation CTC

- Lodi Generation Cost - Market Generation Price = CTC

Redefining Competition

• Lodi's Cost For	Competitive Benchmark
• Distribution	PG&E Distribution
• Generation	Market Cost of Power
• Transmission	California ISO

Don't Confuse Costs with Rates

A Good Alternative to the Base Case is One That:

- Results in a rate structure that is at or below the total cost of service if provided by the next best competitive alternative.
- Provides flexibility for continued targeted economic development.
- Furthers the previously established goals in terms of service quality and return to the community.
- Provides maximum local control.
- Remains legally permissible given statutory/regulatory limitations.

Some Key Policy Decisions

- Lodi's current rates will be frozen through July 1, 2002.
- Lodi's rates will be unbundled and all customers allowed to purchase power and other available market services no later than July 1, 2000-Targeted date of January 1, 2000.
- All customers will pay a non-bypassable CTC through the year 2010, included in the distribution charge.

- Distribution related charges will be capped at the regional competitive level - Lodi will "buy-down" total distribution costs which exceed the cap.
- Lodi's revenues will be capped at a level equal to the lesser of the next best competitive alternative or the maximum permissible regulatory rate beginning on July 1, 2002.
- The transfer to the general fund will be held to 1999 levels through the planning horizon for planning purposes.

Lodi Electric Utility Staff recommends that the City Council approve the issuance of revenue bonds for the purpose of reimbursing the Electric Utility Capital Outlay Fund in an amount equal to the capital expenditures made from the date of the reimbursement resolution to the date of issuance of the bonds.

The amount is approximately $6 million

Electric Utility Staff recommends that the City Council approve the issuance of revenue bonds for the purpose of financing certain prospective capital expenditures. The amount is approximately $15 million. It is further recommended that the approval include an additional amount to complete the refinancing of a reliability based transmission system enhancement in an amount not to exceed $15 million.

Recommendation Highlights

- **Reimbursement** **$5 - 6 M**
- **Capital Projects** **$15 M**
- **Transmission Projects** **<u>$12 - 15 M</u>**
- **$32 - 36 Million**

LODI ELECTRIC RATES vs COMPETITIVE RATES - BASE CASE

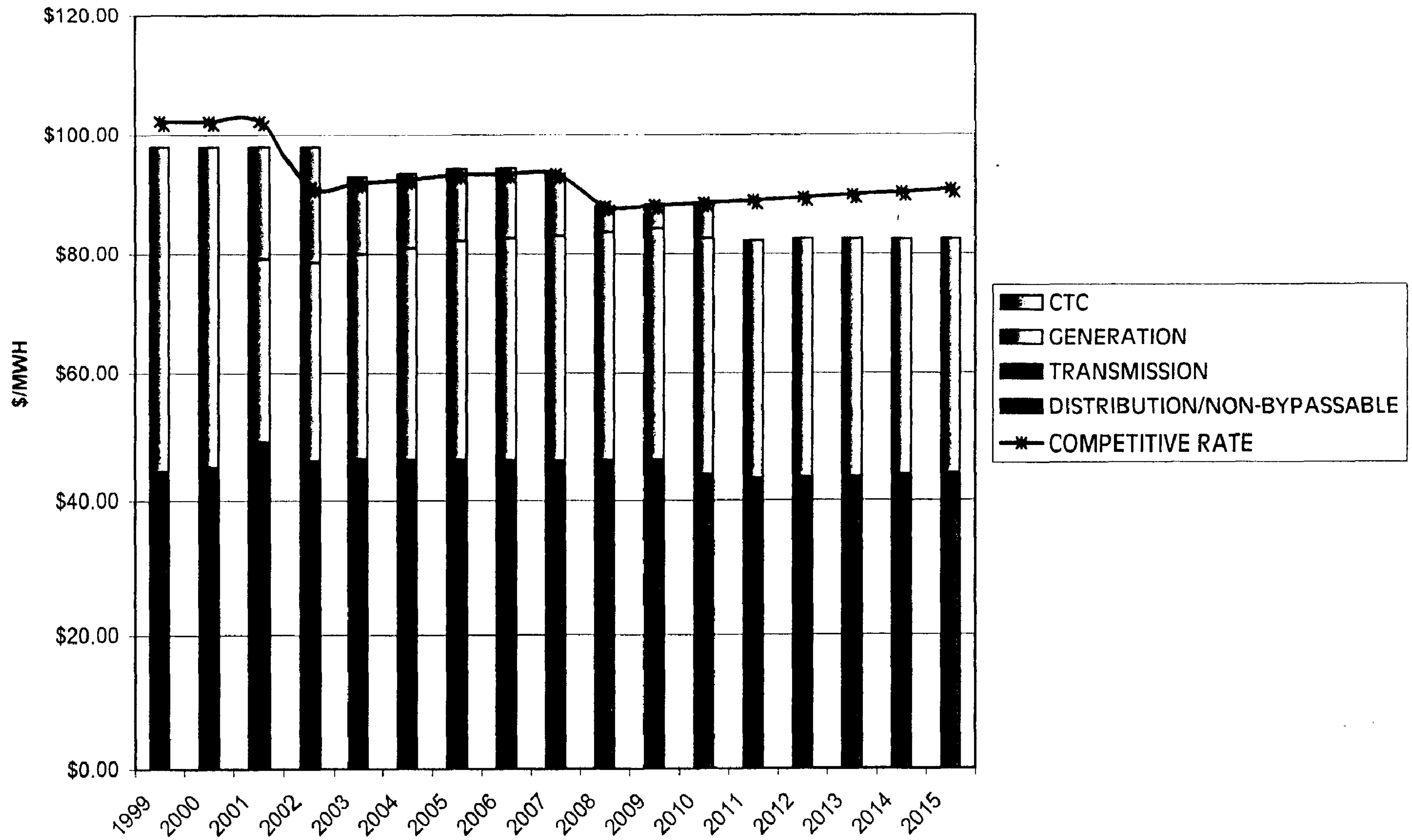


Figure 1

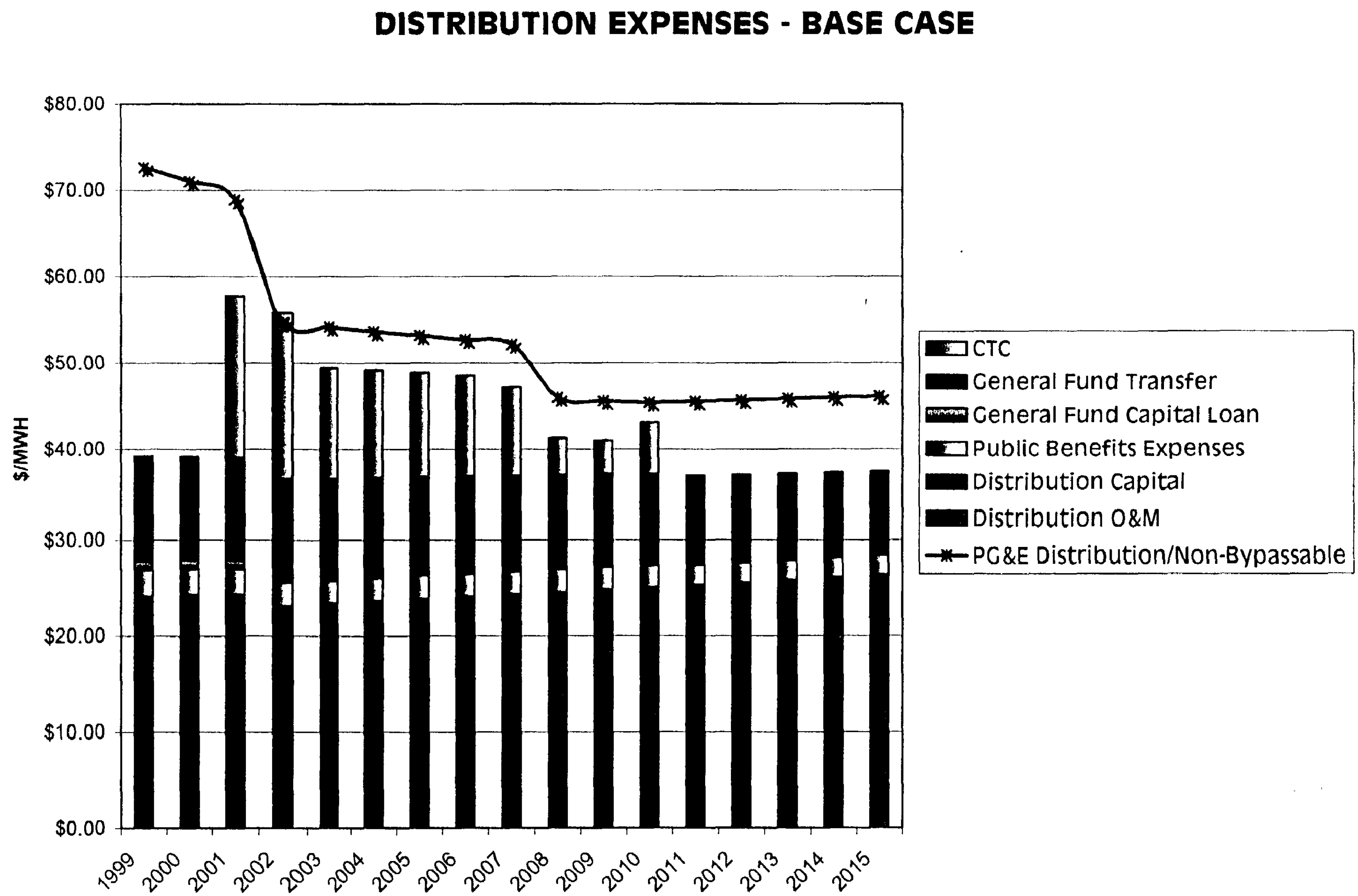
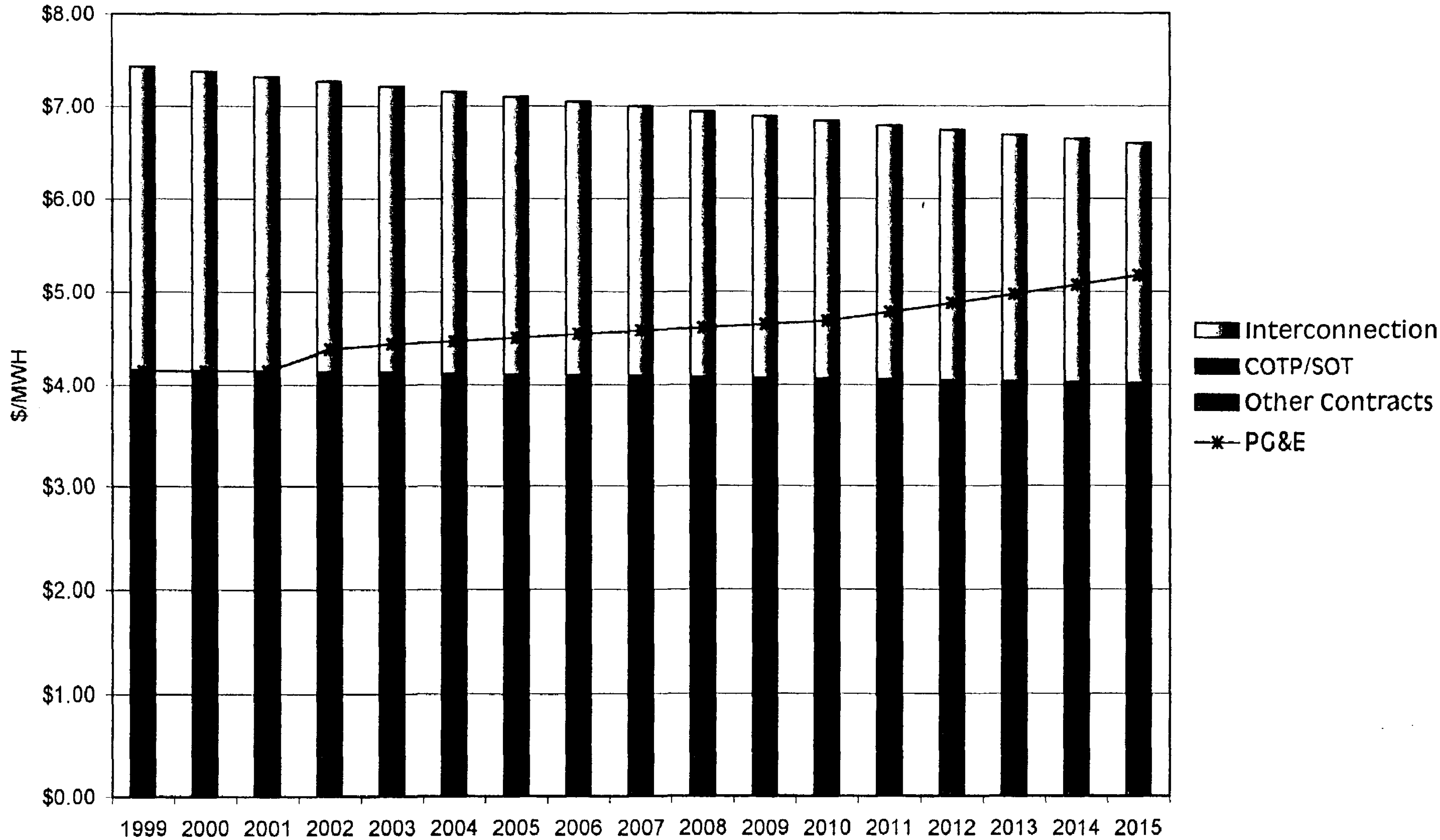


Figure 2

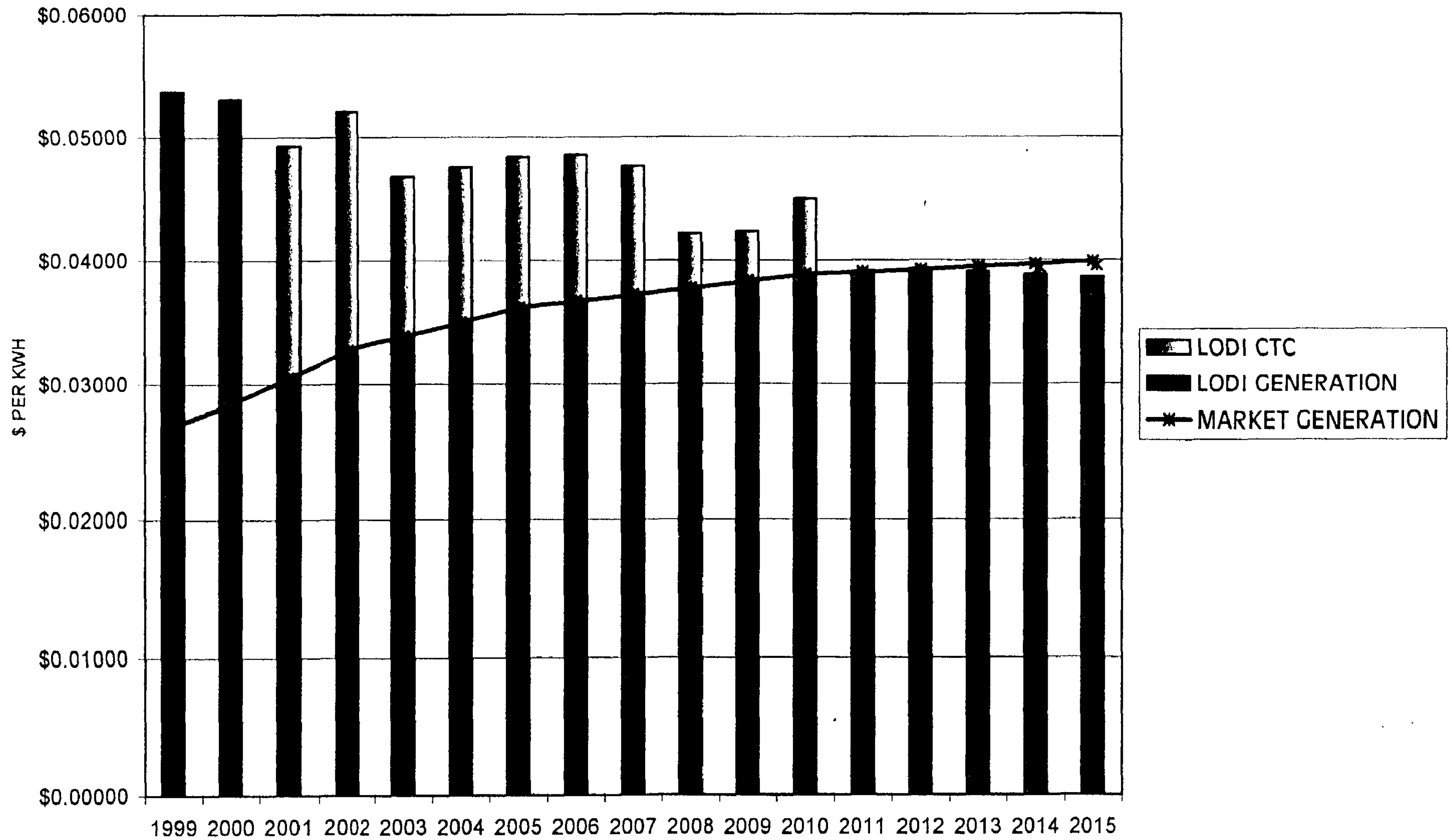
Lodi Electric Utility

January 20, 1999
Distribution COSTS

TRANSMISSION EXPENSES - ALL CASES



GENERATION RATES - BASE CASE

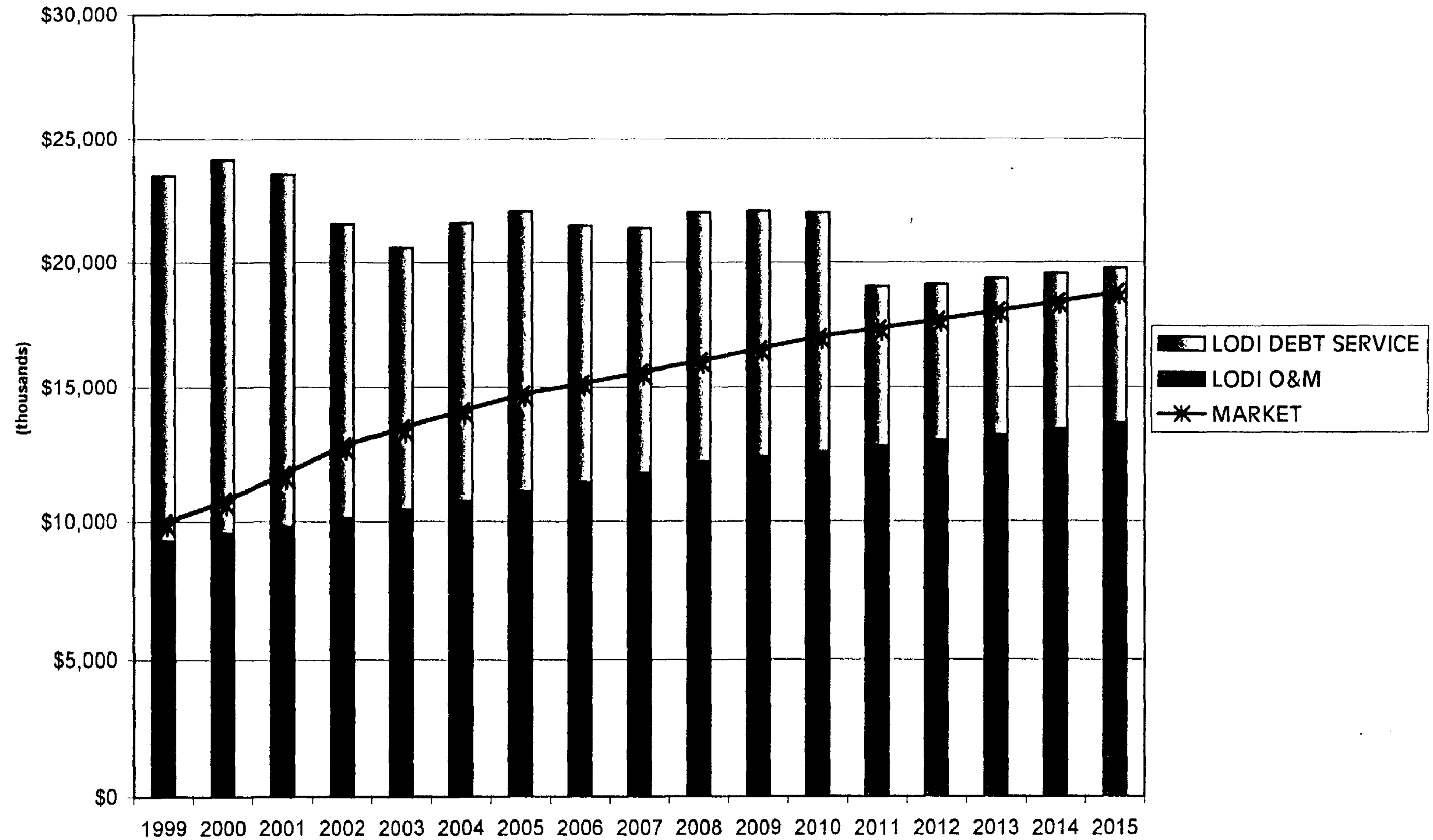


January 20, 1999
Generation RATES - Base

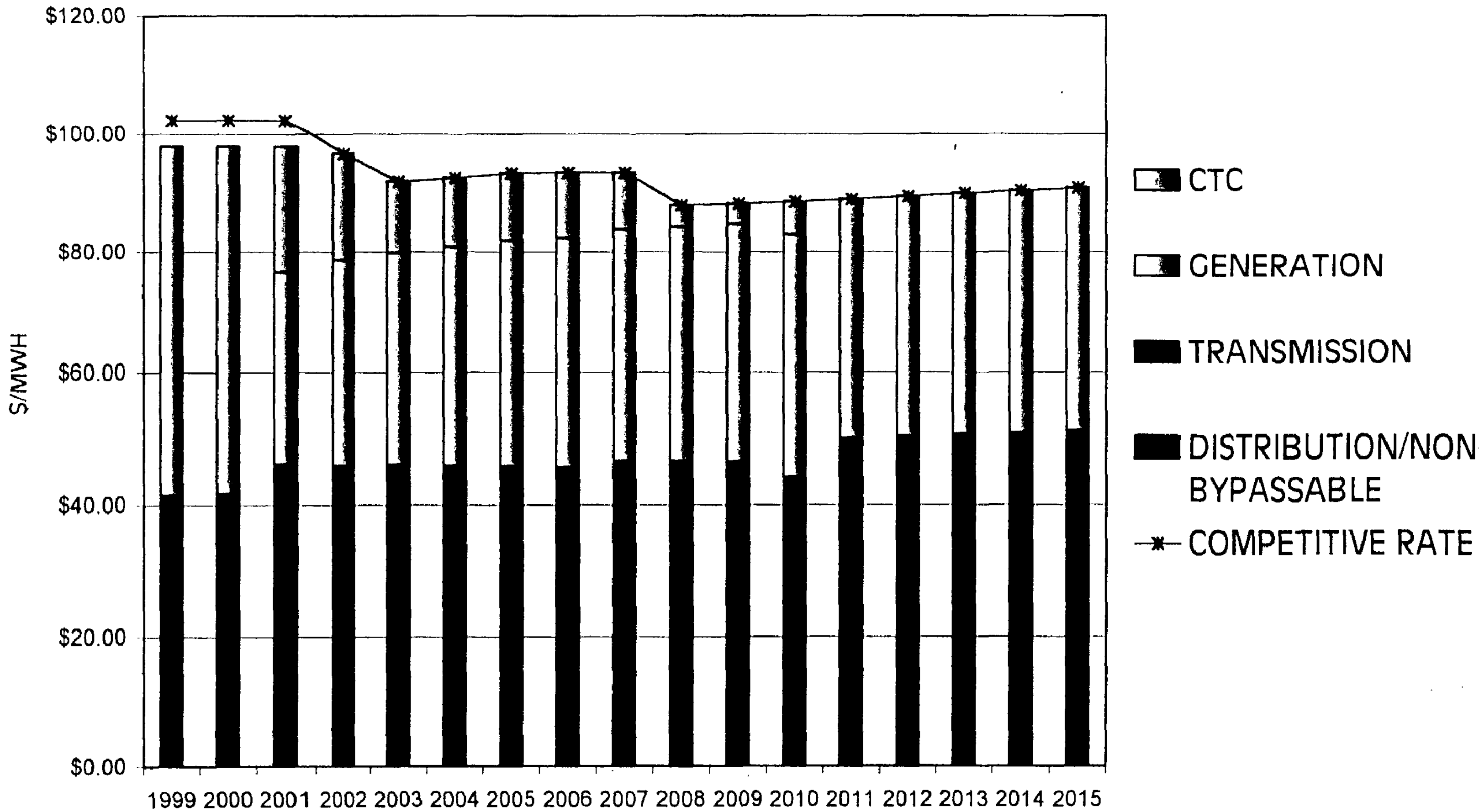
Lodi Electric Utility

Figure 4a

GENERATION COSTS - BASE CASE

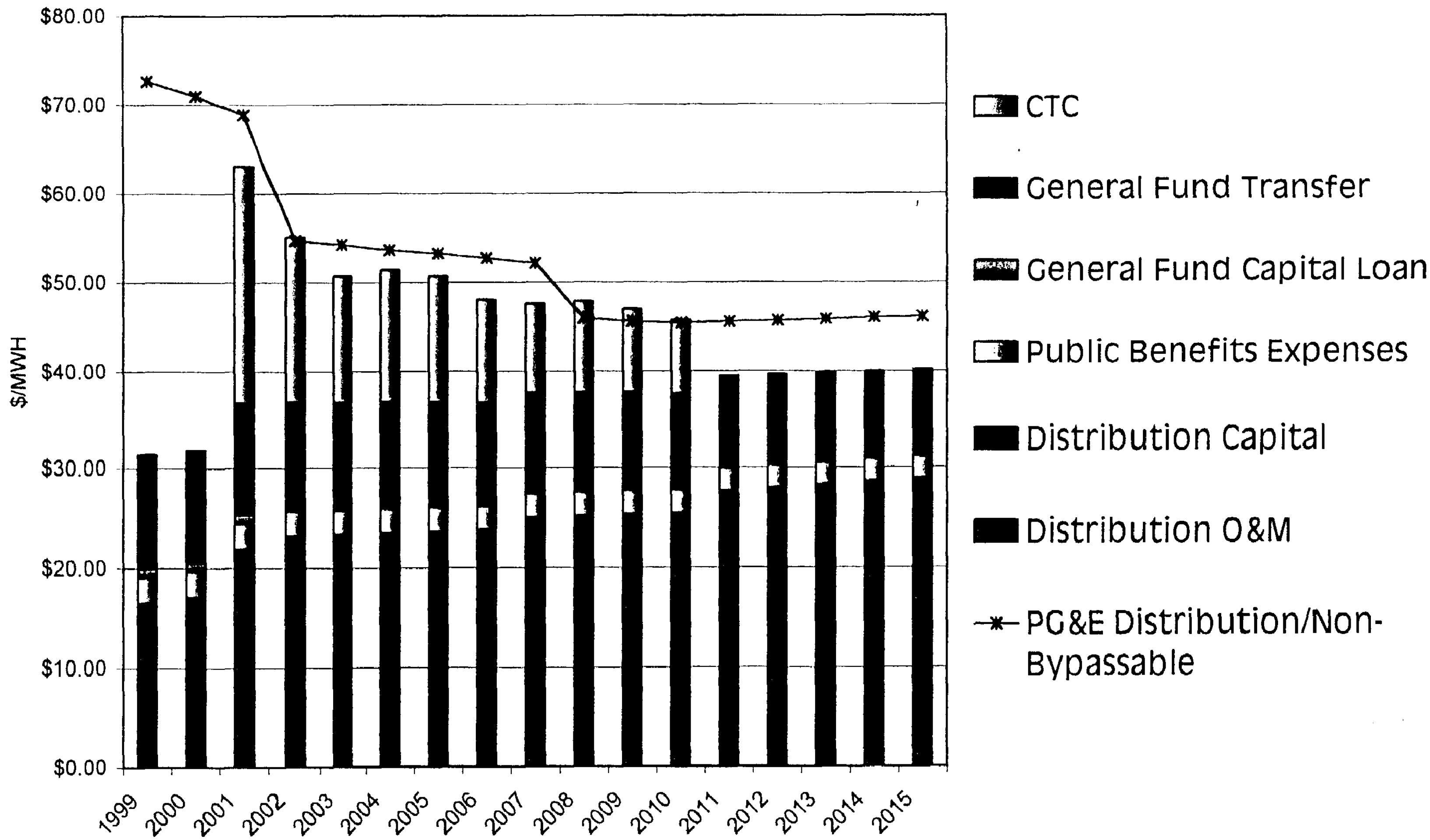


LODI ELECTRIC RATES vs COMPETITIVE RATES - PROPOSED

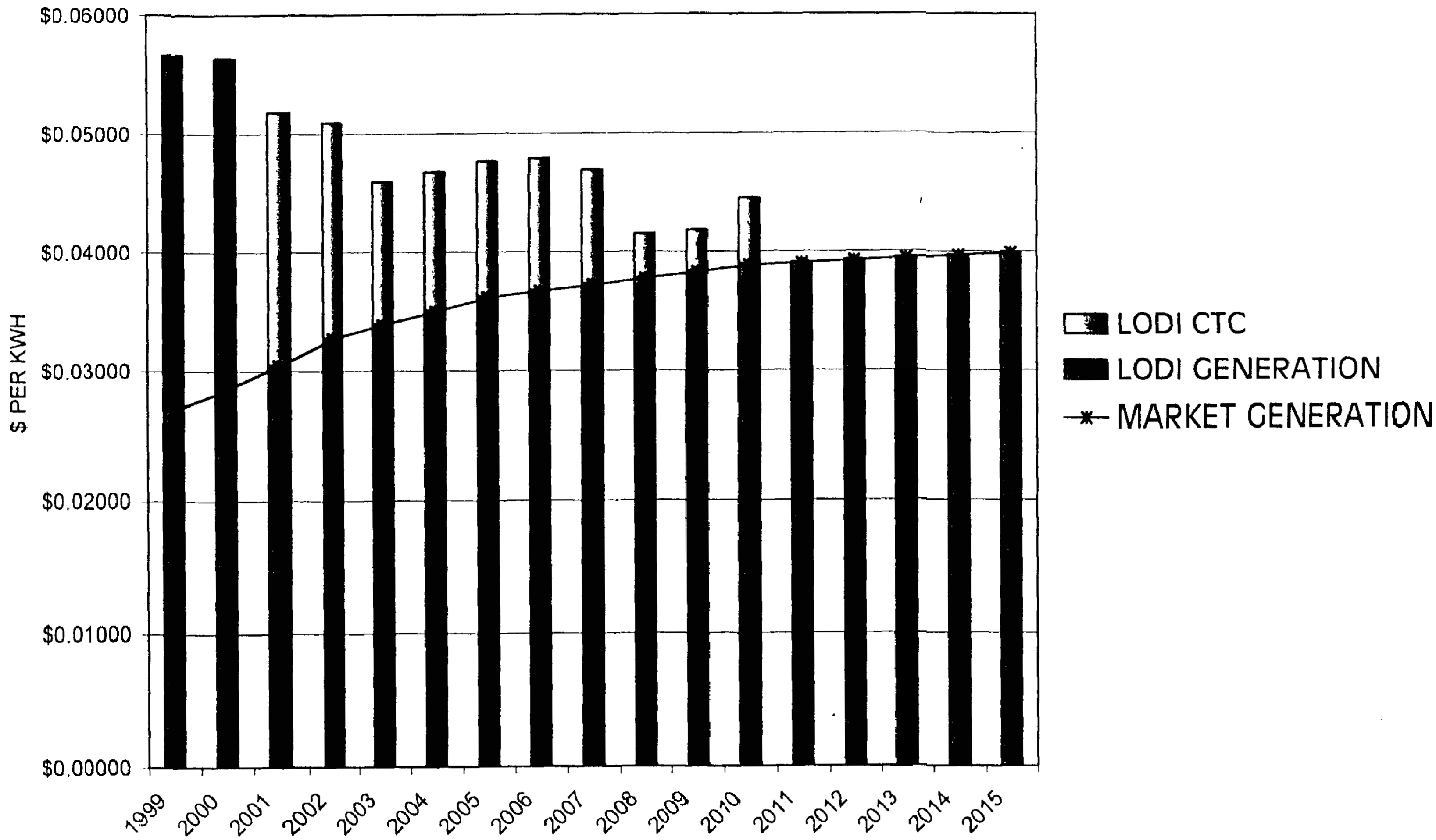


January 20, 1999
Compeitive Rates - Proposed

DISTRIBUTION EXPENSES - PROPOSED



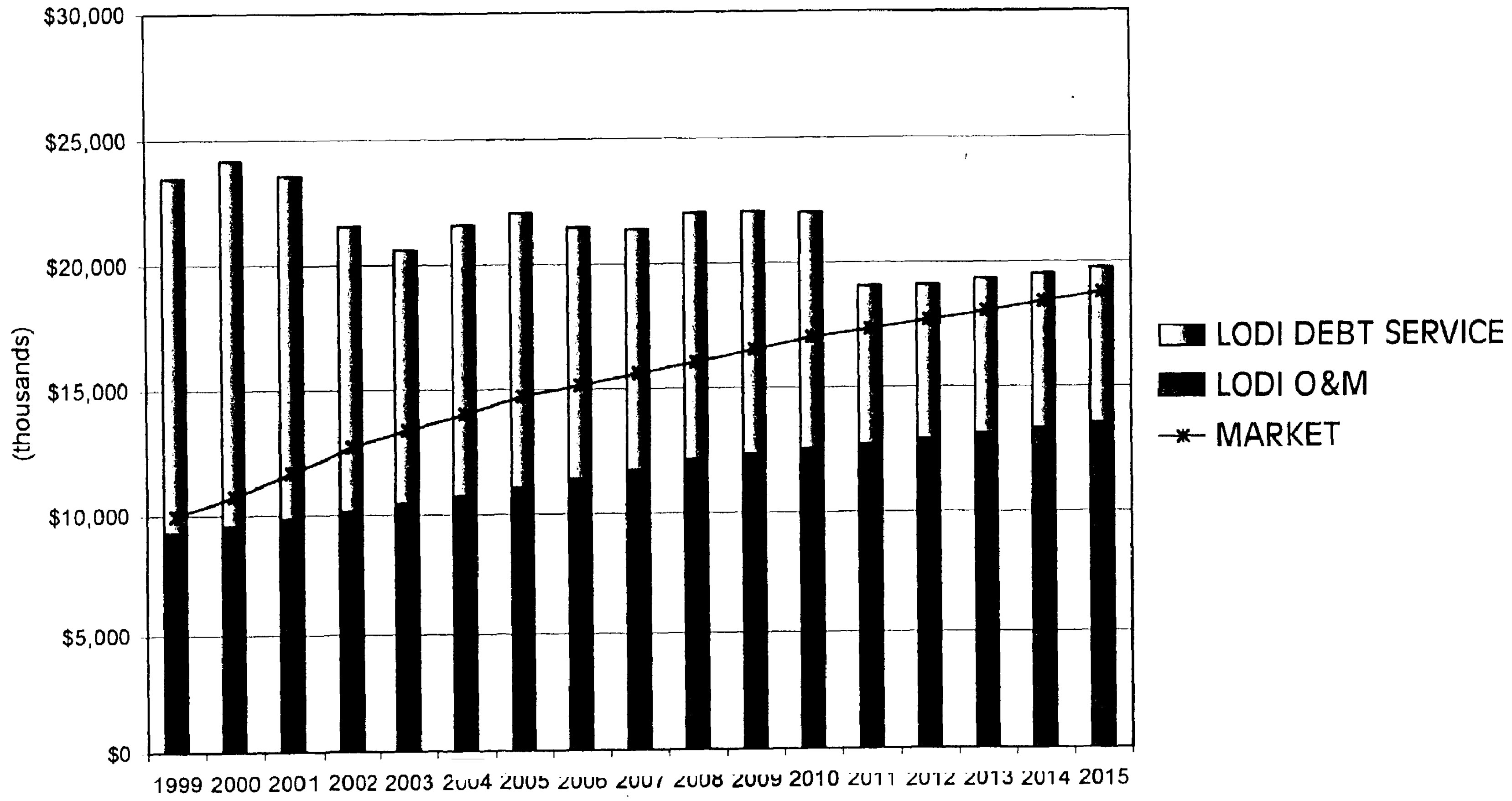
GENERATION RATES - PROPOSED



January 20, 1999
Generation Rates - Proposed

Figure 7a

GENERATION COSTS - PROPOSED



HENWOOD COMPETITIVE

RATES MODEL

AND

LODI COMPETITIVE

RATE TARGET

	A B C D E	F	S	AF	AS	BF	BS	CF	CS	DF	DS	EF	ES	FF	FS
1		'97 Rate	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
2	($/MWh)	Allocator	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average
4	**Residential**														
5	Total Average Customer Charge		107.52	107.52	107.52	107.52	101.06	99.00	99.48	100.18	100.14	100.07	92.82	93.04	93.49
6	PX Price		22.78	22.90	24.63	26.51	28.52	29.53	30.57	31.65	32.12	32.60	33.09	33.58	34.08
7	Ancillary Service & ISO/PX Charges		1.48	1.49	1.52	1.55	1.59	1.61	1.62	1.64	1.65	1.66	1.67	1.68	1.69
8	Line Loss Charge		2.18	2.20	2.35	2.53	2.71	2.80	2.90	3.00	3.04	3.08	3.13	3.17	3.22
9	Delivered Energy Price		26.45	26.58	28.50	30.58	32.82	33.94	35.09	36.29	36.82	37.35	37.89	38.43	38.99
10	Trust Transfer Amount		16.15	11.21	12.47	11.72	11.07	10.35	9.67	8.97	8.31	7.80	0.00	0.00	0.00
11	Employee Transition CTC		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
12	Long Term Purchase Contracts (QF's)		13.60	11.03	8.00	7.58	6.53	6.31	6.09	6.06	5.93	5.60	5.37	4.80	4.45
13	Transition CTC		11.99	12.68	12.68	11.90									
14	CTC's		25.59	23.71	20.68	19.48	6.53	6.31	6.09	6.06	5.93	5.60	5.37	4.80	4.45
15	Transmission Charge	3.39%	4.05	4.05	4.05	4.05	4.27	4.32	4.36	4.39	4.43	4.46	4.50	4.53	4.57
16	Distribution Charge	28.05%	33.51	40.21	40.09	39.98	42.02	42.41	42.62	42.83	43.05	43.27	43.49	43.72	43.95
17	Public Purpose Programs Charge		1.27	1.25	1.23	1.21	1.19	1.17	1.15	1.13	1.11	1.09	1.07	1.05	1.03
18	Nuclear Decommissioning Charge	0.43%	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51
20	**Small Light and Power**														
21	Total Average Customer Charge		112.85	112.85	112.85	112.85	96.87	97.44	97.88	98.55	98.47	98.37	90.75	90.95	91.38
22	PX Price		22.40	23.26	25.14	27.06	29.11	30.14	31.21	32.31	32.79	33.28	33.77	34.28	34.79
23	Ancillary Service & ISO/PX Charges		1.48	1.49	1.53	1.56	1.60	1.62	1.64	1.66	1.66	1.67	1.68	1.69	1.70
24	Line Loss Charge		2.15	2.23	2.40	2.58	2.76	2.86	2.96	3.06	3.10	3.15	3.19	3.24	3.28
25	Delivered Energy Price		26.03	26.98	29.07	31.19	33.48	34.62	35.80	37.02	37.55	38.10	38.65	39.21	39.77
26	Trust Transfer Amount		16.88	11.71	13.03	12.25	11.57	10.82	10.11	9.38	8.68	8.15	0.00	0.00	0.00
30	CTC's		33.21	30.78	27.52	26.32	6.64	6.42	6.19	6.16	6.03	5.70	5.46	4.88	4.52
31	Transmission Charge	3.22%	3.85	3.85	3.85	3.85	4.06	4.11	4.14	4.17	4.21	4.24	4.27	4.31	4.34
32	Distribution Charge	26.00%	31.06	37.77	37.64	37.53	39.44	39.80	39.99	40.18	40.37	40.57	40.77	40.98	41.19
33	Public Purpose Programs Charge		1.31	1.29	1.27	1.25	1.23	1.21	1.20	1.18	1.16	1.14	1.13	1.11	1.09
34	Nuclear Decommissioning Charge	0.43%	0.51	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47
36	**Medium Light and Power**														
37	Total Average Customer Charge		94.66	94.66	94.66	94.66	79.55	76.31	77.31	78.52	79.05	79.40	79.86	80.02	80.39
38	PX Price		22.52	23.39	22.06	23.74	25.55	26.45	27.38	28.35	28.77	29.20	29.63	30.07	30.52
39	Ancillary Service & ISO/PX Charges		1.48	1.49	1.47	1.50	1.53	1.55	1.57	1.58	1.59	1.60	1.61	1.62	1.62
40	Line Loss Charge		2.16	2.24	2.12	2.27	2.44	2.52	2.61	2.69	2.73	2.77	2.81	2.85	2.89
41	Delivered Energy Price		26.16	27.12	25.65	27.51	29.52	30.52	31.55	32.62	33.09	33.57	34.05	34.54	35.04
42	Employee Transition CTC		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
43	Long Term Purchase Contracts (QF's)		13.25	11.18	7.06	6.69	5.76	5.57	5.37	5.35	5.24	4.94	4.74	4.24	3.93
44	Transition CTC		23.56	17.99	23.74	22.38									
45	CTC's		36.81	29.17	30.81	29.08	5.76	5.57	5.37	5.35	5.24	4.94	4.74	4.24	3.93
46	Transmission Charge	4.34%	5.19	5.19	5.19	5.19	5.47	5.54	5.58	5.63	5.67	5.72	5.76	5.81	5.86
47	Distribution Charge	20.87%	24.93	31.64	31.51	31.40	32.97	33.25	33.39	33.53	33.67	33.82	33.97	34.12	34.27
48	Public Purpose Programs Charge		1.05	1.03	0.99	0.97	0.95	0.93	0.91	0.89	0.87	0.85	0.83	0.81	0.79
49	Nuclear Decommissioning Charge	0.43%	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51
51	**Large Light and Power**														
52	Total Average Customer Charge		63.09	63.09	63.09	63.09	68.78	71.27	72.30	73.58	74.08	74.38	74.80	74.88	75.20
53	PX Price		22.19	23.03	24.85	26.74	28.78	29.79	30.84	31.93	32.41	32.89	33.38	33.88	34.38
54	Ancillary Service & ISO/PX Charges		1.47	1.49	1.52	1.56	1.59	1.61	1.63	1.65	1.66	1.67	1.67	1.68	1.69

	A B C D E	F	S	AF	AS	BF	BS	CF	CS	DF	DS	EF	ES	FF	FS
1		'97 Rate	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
2	($/MWh)	Allocator	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average
55	Line Loss Charge		2.13	2.21	2.37	2.55	2.73	2.83	2.92	3.02	3.07	3.11	3.15	3.20	3.25
56	Delivered Energy Price		25.80	26.73	28.74	30.84	33.10	34.23	35.39	36.60	37.13	37.67	38.21	38.76	39.32
57	Employee Transition CTC		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
58	Long Term Purchase Contracts (QF's)		13.08	11.00	8.00	7.58	6.53	6.31	6.09	6.06	5.93	5.60	5.37	4.80	4.45
59	Transition CTC		1.51	(4.04)	(2.92)	(4.48)									
60	CTC's		14.58	6.96	5.08	3.10	6.53	6.31	6.09	6.06	5.93	5.60	5.37	4.80	4.45
61	Transmission Charge	4.41%	5.27	5.27	5.27	5.27	5.55	5.62	5.67	5.71	5.76	5.80	5.85	5.90	5.95
62	Distribution Charge	13.55%	16.19	22.89	22.76	22.65	23.75	23.92	23.98	24.04	24.11	24.18	24.25	24.32	24.39
63	Public Purpose Programs Charge		0.74	0.73	0.72	0.71	0.70	0.68	0.67	0.65	0.64	0.62	0.61	0.60	0.58
64	Nuclear Decommissioning Charge	0.43%	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51
66	**Street Lighting**														
67	Total Average Customer Charge		122.45	122.45	122.45	122.45	87.98	77.46	78.42	79.59	80.08	80.40	80.83	80.96	81.29
68	PX Price		19.93	20.49	21.66	23.30	25.08	25.96	26.88	27.83	28.24	28.66	29.09	29.52	29.96
69	Ancillary Service & ISO/PX Charges		1.43	1.44	1.46	1.49	1.53	1.54	1.56	1.57	1.58	1.59	1.60	1.61	1.61
70	Line Loss Charge		1.92	1.97	2.08	2.23	2.39	2.48	2.56	2.65	2.68	2.72	2.76	2.80	2.84
71	Delivered Energy Price		23.28	23.91	25.20	27.03	29.00	29.98	31.00	32.05	32.51	32.98	33.45	33.93	34.42
72	Employee Transition CTC		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
73	Long Term Purchase Contracts (QF's)		12.15	10.03	7.12	6.75	5.81	5.62	5.42	5.39	5.28	4.98	4.78	4.27	3.96
74	Transition CTC		53.58	48.41	50.24	48.95									
75	CTC's		65.72	58.44	57.36	55.70	5.81	5.62	5.42	5.39	5.28	4.98	4.78	4.27	3.96
76	Transmission Charge	1.18%	1.41	1.41	1.41	1.41	1.49	1.50	1.52	1.53	1.54	1.55	1.57	1.58	1.59
77	Distribution Charge	24.61%	29.40	36.10	35.98	35.86	37.68	38.02	38.19	38.37	38.55	38.74	38.92	39.11	39.31
78	Public Purpose Programs Charge		2.13	2.08	1.99	1.94	1.88	1.83	1.78	1.74	1.69	1.64	1.60	1.55	1.51
79	Nuclear Decommissioning Charge	0.43%	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51
81	**Agricultural**														
82	Total Average Customer Charge		108.80	108.80	108.80	108.80	96.35	92.82	94.04	95.48	96.18	96.71	97.34	97.68	98.22
83	PX Price		21.61	22.51	24.08	25.91	27.89	28.87	29.89	30.94	31.41	31.87	32.35	32.83	33.32
84	Ancillary Service & ISO/PX Charges		1.46	1.48	1.51	1.54	1.58	1.59	1.61	1.63	1.64	1.65	1.66	1.66	1.67
85	Line Loss Charge		2.08	2.16	2.30	2.47	2.65	2.74	2.84	2.93	2.97	3.02	3.06	3.10	3.15
86	Delivered Energy Price		25.15	26.15	27.89	29.92	32.11	33.20	34.34	35.51	36.02	36.54	37.06	37.60	38.14
87	Employee Transition CTC		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
88	Long Term Purchase Contracts (QF's)		10.87	9.68	7.05	6.69	5.76	5.57	5.37	5.34	5.23	4.94	4.74	4.23	3.92
89	Transition CTC		28.27	21.75	22.75	21.20									
90	CTC's		39.13	31.43	29.81	27.88	5.76	5.57	5.37	5.34	5.23	4.94	4.74	4.23	3.92
91	Transmission Charge	5.28%	6.30	6.30	6.30	6.30	6.65	6.73	6.78	6.84	6.89	6.95	7.00	7.06	7.11
92	Distribution Charge	30.55%	36.49	43.20	43.07	42.96	45.16	45.59	45.83	46.07	46.31	46.56	46.81	47.06	47.31
93	Public Purpose Programs Charge		1.22	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23
94	Nuclear Decommissioning Charge	0.43%	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51
96	**OTHER RETAIL**														
97	Total Average Customer Charge		106.39	106.39	106.39	106.39	89.46	84.54	85.67	87.04	87.64	88.05	88.58	88.78	89.20
98	PX Price		21.89	22.80	24.42	26.28	28.28	29.28	30.31	31.38	31.85	32.33	32.81	33.30	33.79
99	Ancillary Service & ISO/PX Charges		1.47	1.48	1.51	1.55	1.58	1.60	1.62	1.64	1.65	1.66	1.66	1.67	1.68
100	Line Loss Charge		2.10	2.19	2.33	2.50	2.69	2.78	2.87	2.97	3.01	3.06	3.10	3.15	3.19
101	Delivered Energy Price		25.47	26.47	28.27	30.33	32.55	33.66	34.81	36.00	36.51	37.04	37.58	38.12	38.67
102	Employee Transition CTC		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				

	A B C D E	F	S	AF	AS	BF	BS	CF	CS	DF	DS	EF	ES	FF	FS
1		'97 Rate	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
2	($/MWh)	Allocator	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average
3															
103	Long Term Purchase Contracts (QF's)		12.94	10.89	7.84	7.43	6.40	6.18	5.96	5.94	5.81	5.49	5.27	4.71	4.36
104	Transition CTC		32.29	26.50	27.90	26.37									
105	CTC's		45.24	37.39	35.74	33.80	6.40	6.18	5.96	5.94	5.81	5.49	5.27	4.71	4.36
106	Transmission Charge	3.65%	4.36	4.36	4.36	4.36	4.60	4.66	4.69	4.73	4.77	4.81	4.85	4.88	4.92
107	Distribution Charge	24.97%	29.84	36.54	36.41	36.30	38.14	38.49	38.66	38.85	39.03	39.22	39.41	39.60	39.80
108	Public Purpose Programs Charge		0.98	1.11	1.10	1.08	1.07	1.05	1.03	1.02	1.00	0.99	0.97	0.96	0.95
109	Nuclear Decommissioning Charge	0.43%	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51
110															

1998 Rate Class Allocators

	1996 Sales (MWh	Trans	Dist	PPP	Gen/CTC	Nuke Dec	Total	NOTES:
RESIDENTIAL								
E-1	20,817,882	3.321	29.061	3.443	63.750	0.425		
EL-1	1,648,514	4.000	15.860	3.738	75.977	0.425		
E-7	1,841,918	3.452	28.298	3.550	64.275	0.425		
E-8	573,366	3.917	25.523	3.525	66.610	0.425		assumed to include EL-8 S
SUBTOTAL (mwh weighted)	24,881,680	**3.389**	**28.048**	**3.472**	**64.665**	**0.425**	100.000	
AGRICULTURAL								ignore P and T
AG-1 A	179,031	3.863	40.977	3.346	51.389	0.425		
AG-RA	30,913	3.390	37.913	3.435	54.837	0.425		
AG-VA	38,805	3.672	36.722	3.440	55.741	0.425		
AG-4A	132,592	3.641	37.366	3.449	55.119	0.425		
AG-5A	85,432	5.198	32.259	3.524	58.594	0.425		
AG-1 B	286,379	3.905	34.053	3.408	58.209	0.425		
AG-RB	30,444	3.659	29.580	3.452	62.884	0.425		
AG-VB	23,608	3.880	30.253	3.467	61.975	0.425		
AG-4B S	374,321	4.301	29.126	3.487	62.661	0.425		use S
AG-4C	41,155	3.203	36.285	3.455	56.632	0.425		
AG-5B	2,289,539	5.926	28.784	3.624	61.241	0.425		use S
AG-5C	35,679	6.205	29.899	3.640	59.831	0.425		
SUBTOTAL (mwh weighted)	3,547,898	**5.276**	**30.546**	**3.561**	**60.192**	**0.425**	100.000	
STREETLIGHTS	318,424	1.180	24.607	5.642	68.146	0.425	100.000	
SMALL L&P								
A-1	4,549,490	3.321	29.061	3.443	63.750	0.425		
A-6	1,918,456	2.779	17.938	3.560	75.298	0.425		
A-15	1,578	2.296	66.287	3.292	27.700	0.425		
TC-1	144,061	5.961	36.278	3.144	54.192	0.425		
SUBTOTAL (mwh weighted)	6,613,585	**3.221**	**26.001**	**3.470**	**66.883**	**0.425**	100.000	
MEDIUM L&P								Now inculdes A-10 & E-19
A-10	10,811,597	4.048	21.508	3.558	70.461	0.425	100.000	Assume all at Secondary (S) level
E-19								
E-19 T	5,383	3.178	~ 22.756	3.654	69.987	0.425		Assume average of Firm & Nonfirm figures.
E-19 P	608,929	2.850	14.218	3.685	78.822	0.425		
E-19 S	9,823,916	4.774	20.596	3.594	70.611	0.425		
A-RTP-19-S	49,964	2.058	17.760	3.659	76.098	0.425		
SUBTOTAL - E-19	10,488,192							
SUBTOTAL (mwh weighted)	21,299,789	**4.344**	**20.870**	**3.578**	70.782	0.425	100.000	
LARGE L&P								
E-20 T	6,599,658	3.337	5.544	4.047	86.647	0.425		Assume average of Firm & Nonfirm figures
E-20 P	6,138,681	3.785	15.036	3.758	76.996	0.425		
E-20 S	4,390,767	7.210	24.010	3.645	64.710	0.425		
A-RTP-20 T	18,000	1.805	2.517	3.593	91.660	0.425		
A-RTP-20 S	409,772	1.873	15.407	3.648	78.647	0.425		
SUBTOTAL - TARIFFS	17,556,878	**4.426**	**13.708**	**3.836**	**77.605**	**0.425**	100.000	
CONTRACTS: T	348,021	3.201	4.317	3.144	88.913	0.425		
CONTRACTS: P								
CONTRACTS: S	21,165	10.005	32.498	3.144	53.928	0.425		
SUBTOTAL - CONTRACTS	369,186	**3.591**	**5.933**	**3.144**	**86.907**	**0.425**		
SUBTOTAL (mwh weighted)	17,926,064	4.409	13.548	3.821	77.796	0.425	100.000	
STANDBY								
T	128,722	12.174	23.593	3.687	60.121	0.425		
P	10,512	6.645	51.172	3.313	38.445	0.425		
S	3,468	6.491	36.361	3.476	53.247	0.425		
SUBTOTAL (mwh weighted)	142,702	**11.629**	**25.935**	**3.654**	**58.357**	0.425	100.000	
TOTAL	74,730,142	**3.987**	**22.443**	**3.600**	**69.545**	0.425	100.000	
OTHER RETAIL		**3.651**	**24.973**	**3.507**	**67.443**	**0.425**	100.000	

(Other Retail is average of Residential, Small L&P, and Medium L&P)

Allocators come from PG&E AW. Rate Group Cost Obligation Memorandoum Account (Effective 1/1/98).

To do: as needed, update sales weights

	Year	Utility	eration (G	Revenue	Cost	Net
	1998	PG_E Main	52,993.10	1,171,073.88	1,175,569.92	-4,496.04
	1998	PG_E SanFran	1,826.95	45,436.50	65,973.07	-20,536.57
	1998	PG_E South	5,442.12	124,215.76	54,989.94	69,225.82
Total	1998		60,262.17			
	1999	PG_E Main	**51,892.41**	**1,210,329.67**	**1,208,298.42**	2,031.25
	1999	PG_E SanFran	1,576.87	41,338.92	63,959.16	-22,620.24
	1999	PG_E South	5,357.05	128,863.32	56,771.92	72,091.40
	2000	PG_E Main	54,079.29	1,389,145.25	1,259,478.61	129,666.64
	2000	PG_E SanFran	2,114.72	63,225.85	79,205.78	-15,979.94
	2000	PG_E South	5,656.67	151,525.22	64,124.80	87,400.42

Based on forecast normalized data.

Residential	E1SB		
E1SB (EA)	$14,148	$14,574	
ED	$166	$167	
EM	$294	$280	
	$14,608	$15,021	
E1SB (EA)	127,968	131,819	
ED	1,823	1,833	
EM	2,536	2,412	
	132,327	136,064	36.53%
Average	$110.39	$110.40	
Small Light & Power			
A1 (G1)	$4,951	$4,773	
A10 (G2)	$9,925	$10,070	
A10 (G3S)	$560	$695	
A10 G3P)	$99	$123	
	$15,535	$15,661	
A1 (G1)	41,069	39,592	
A10 (G2)	99,308	100,760	
A10 (G3S)	6,288	7,799	
A10 G3P)	1,009	1,252	
	147,674	149,403	40.11%
Average	$105.20	$104.82	
E19S (G4S)	$1,635	$2,178	
E19P (G4P)	$750	$761	
	$2,385	$2,939	
E19S (G4S)	18,338	24,430	
E19P (G4P)	9,641	9,786	
	27,979	34,216	9.19%
Average	$85.24	$85.90	
E20S (G5S)	$1,052	$1,678	
E20P (G5P)	$436	$443	
E20P (I1P)	$1,264	$1,283	
	$2,752	$3,404	
E20S (G5S)	10,367	16,535	
E20P (G5P)	6,616	6,715	
E20P (I1P)	20,423	20,730	
	37,406	43,980	11.80%
Average	$73.57	$77.40	
ES	8,777	8,810	2.37%
	354,163	372,472	100.00%

REGIONALIZED RATE CALCULATION - Line 35

PG&E	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Residential	$107.53	$107.53	$107.53	$98.40	$99.01	$99.48	$100.18	$100.14	$100.07	$92.82	$93.04	$93.49	$93.96	$94.43	$94.91	$95.39	$95.88
Small Light & Power	$112.85	$112.85	$112.85	$96.87	$97.44	$97.88	$98.55	$98.47	$98.37	$90.75	$90.95	$91.38	$91.83	$92.29	$92.75	$93.21	$93.67
Medium Light & Power	$94.66	$94.66	$94.66	$75.18	$76.31	$77.31	$78.53	$79.05	$79.41	$79.86	$80.02	$80.39	$80.81	$81.24	$81.68	$82.12	$82.57
Agricultural	$108.81	$108.81	$108.81	$91.42	$92.83	$94.05	$95.49	$96.19	$96.72	$97.35	$97.69	$98.23	$98.77	$99.31	$99.85	$100.40	$100.95
Streetlighting	$122.45	$122.45	$122.44	$76.37	$77.46	$78.42	$79.58	$80.08	$80.40	$80.83	$80.96	$81.29	$81.65	$82.01	$82.37	$82.73	$83.09
Large Light & Power	$63.09	$63.09	$63.09	$70.14	$71.27	$72.30	$73.57	$74.08	$74.38	$74.80	$74.88	$75.20	$75.59	$76.00	$76.41	$76.83	$77.25
Other Retail	$106.39	$106.39	$106.39	$83.27	$84.54	$85.67	$87.04	$87.64	$88.05	$88.58	$88.78	$89.20	$89.65	$90.10	$90.56	$91.02	$91.49
System	$94.64	$94.64	$94.66	$84.84	$85.71	$86.46	$87.43	$87.67	$87.80	$84.85	$85.00	$85.36	$85.77	$86.18	$86.61	$87.03	$87.46
Residential		1.0000002	0.9999999	0.91512	1.00617	1.00479	1.00706	0.99962	0.9993	0.92757	1.00236	1.00481	1.00502	1.005	1.00508	1.00506	1.00514
Small Light & Power		1.0000007	1.0000006	0.85844	1.0058	1.00456	1.00689	0.99918	0.9989	0.92258	1.0022	1.00475	1.00492	1.00501	1.00498	1.00496	1.00494
Medium Light & Power		1.0000008	1.0000007	0.79427	1.01507	1.0131	1.01566	1.0067	1.00448	1.00574	1.00204	1.00456	1.00524	1.00532	1.00542	1.00539	1.00548
Agricultural		1.0000187	1.0000159	0.84015	1.01544	1.01318	1.0153	1.00732	1.00549	1.00652	1.00349	1.00555	1.00547	1.00547	1.00544	1.00551	1.00548
Streetlighting		0.9999968	0.9999971	0.62369	1.0143	1.01234	1.0149	1.00622	1.00403	1.00529	1.00162	1.00414	1.00439	1.00441	1.00439	1.00437	1.00435
Large Light & Power		1.0000004	1.0000005	1.11178	1.01606	1.01453	1.01762	1.0068	1.00412	1.00563	1.00115	1.00419	1.00521	1.00542	1.00539	1.0055	1.00547
Other Retail		1	1	0.78266	1.01534	1.01335	1.01591	1.00694	1.00472	1.00597	1.00226	1.00478	1.005	1.00502	1.00511	1.00508	1.00516
System		1.0000738	1.0002158	0.89622	1.01027	1.00872	1.01126	1.00276	1.00143	0.96643	1.00172	1.0043	1.00479	1.00484	1.00489	1.0049	1.00494
Residential	$110.40	$110.40	$110.40	$101.03	$101.65	$102.14	$102.86	$102.82	$102.75	$95.31	$95.53	$95.99	$96.47	$96.95	$97.45	$97.94	$98.44
Small Light & Power	$104.82	$104.82	$104.82	$89.98	$90.50	$90.92	$91.54	$91.47	$91.37	$84.29	$84.48	$84.88	$85.30	$85.72	$86.15	$86.58	$87.01
Medium Light & Power	$85.90	$85.90	$85.90	$68.23	$69.26	$70.16	$71.26	$71.74	$72.06	$72.47	$72.62	$72.95	$73.34	$73.73	$74.12	$74.52	$74.93
Agricultural	$108.81	$108.81	$108.81	$91.42	$92.83	$94.05	$95.49	$96.19	$96.72	$97.35	$97.69	$98.23	$98.77	$99.31	$99.85	$100.40	$100.95
Streetlighting	$122.45	$122.45	$122.45	$76.37	$77.46	$78.42	$79.59	$80.08	$80.40	$80.83	$80.96	$81.30	$81.65	$82.01	$82.37	$82.73	$83.09
Large Light & Power	$77.40	$77.40	$77.40	$86.05	$87.43	$88.70	$90.27	$90.88	$91.26	$91.77	$91.87	$92.26	$92.74	$93.24	$93.75	$94.26	$94.78
Other Retail	$106.39	$106.39	$106.39	$83.27	$84.55	$85.67	$87.04	$87.64	$88.05	$88.58	$88.78	$89.20	$89.65	$90.10	$90.56	$91.02	$91.49
Residential	136,064	138,064	140,094	142,155	144,246	146,369	148,523	150,710	152,929	155,182	157,468	159,789	162,144	164,535	166,962	169,424	171,924
Small Light & Power	149,403	151,644	153,919	156,227	158,571	160,949	163,364	165,814	168,301	170,826	173,388	175,989	178,629	181,308	184,028	186,788	189,590
Medium Light & Power	34,216	34,729	35,250	35,779	36,315	36,860	37,413	37,974	38,544	39,122	39,709	40,304	40,909	41,522	42,145	42,778	43,419
Agricultural	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Streetlighting	8,810	8,898	8,987	9,077	9,168	9,260	9,352	9,446	9,540	9,636	9,732	9,829	9,928	10,027	10,127	10,228	10,331
Large Light & Power	43,980	44,640	45,309	45,989	46,679	47,379	48,090	48,811	49,543	50,286	51,041	51,806	52,583	53,372	54,173	54,985	55,810
Other Retail	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
System	372,472	377,975	383,559	389,227	394,979	400,817	406,741	412,755	418,858	425,051	431,338	437,718	444,193	450,765	457,435	464,204	471,074
Residential	$15,021	$15,242	$15,466	$14,362	$14,663	$14,950	$15,277	$15,496	$15,713	$14,790	$15,043	$15,338	$15,642	$15,952	$16,270	$16,593	$16,925
Small Light & Power	$15,660	$15,895	$16,134	$14,058	$14,351	$14,633	$14,955	$15,167	$15,377	$14,399	$14,647	$14,938	$15,236	$15,542	$15,854	$16,172	$16,495
Medium Light & Power	$2,939	$2,983	$3,028	$2,441	$2,515	$2,586	$2,666	$2,724	$2,777	$2,835	$2,884	$2,940	$3,000	$3,061	$3,124	$3,188	$3,253
Agricultural	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Streetlighting	$1,079	$1,090	$1,100	$693	$710	$726	$744	$756	$767	$779	$788	$799	$811	$822	$834	$846	$858
Large Light & Power	$3,404	$3,455	$3,507	$3,957	$4,081	$4,203	$4,341	$4,436	$4,521	$4,615	$4,689	$4,780	$4,877	$4,977	$5,078	$5,183	$5,289
Other Retail	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
System	$38,103	$38,665	$39,235	$35,511	$36,320	$37,098	$37,983	$38,579	$39,155	$37,418	$38,051	$38,795	$39,566	$40,354	$41,160	$41,982	$42,820
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
PG&E system regionalized	**$102.30**	**$102.30**	**$102.29**	**$91.23**	**$91.95**	**$92.56**	**$93.38**	**$93.47**	**$93.48**	**$88.03**	**$88.22**	**$88.63**	**$89.07**	**$89.52**	**$89.98**	**$90.44**	**$90.90**

Notes and Sources

Started with Henwood study to get System rate and sales for PG&E and Lodi rate schedule usage models.

1) Used Lodi customer shape and average usage developed in the usage models, then applied PG&E's current effective rates to develop the regionalized rates above. For Agricultural and Other used PG&E class rate.
2) Used the usage model kWh to develop the percentages by class
3) Used the PG&E system sales for 1999 and applied the Lodi % to get PG&E regionalized sales then multiplied by the regionalized rate to get renenues, then divided total revenue by total sales to get the average regionalized system rate.
4) Applied the ratio change in PG&E system rate year to year developed in Henwood study and applied to the regionalized system rate of the prior year.

Usage models: Residential - EA9809.xls, Small Light and Power - G19808.xls, G29808.xls, G3S9809.xls, G3P9809.xls
Medium Light and Power - G4P9809.xls, G4S9809.xls, Streetlighting - ES9808.xls
Large Light and Power - G5P9809.xls, G5S9809.xls, I1P9808.xls.

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Residential	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%
Small Light & Power	40.1%	40.1%	40.1%	40.1%	40.1%	40.2%	40.2%	40.2%	40.2%	40.2%	40.2%	40.2%	40.2%	40.2%	40.2%	40.2%	40.2%
Medium Light & Power	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%
Agricultural	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Streetlighting	2.4%	2.4%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Large Light & Power	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%
Other Retail	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
System	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

BASE CASE

COST

STRUCTURE

OPERATING

RESULTS

BASE CASE

Line	03/29/1999 8:31	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1	Maximum Competitive Revenues	$36,469	$37,008	$37,554	$38,109	$36,683	$37,469	$38,363	$38,965	$39,155	$37,418	$38,051	$38,795	$39,566	$40,354	$41,160	$41,982	$42,820
2	Non-Operating Income	$810	$834	$859	$885	$911	$939	$967	$996	$1,026	$1,056	$1,088	$1,121	$1,154	$1,189	$1,225	$1,261	$1,299
3	Interest Income	$1,011	$709	$499	$330	$326	$281	$215	$153	$139	$125	$0	$0	$0	$0	$52	$61	$80
4	Other Revenues	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	**TOTAL REVENUES**	**$38,289**	**$38,551**	**$38,912**	**$39,324**	**$37,920**	**$38,689**	**$39,545**	**$40,114**	**$40,320**	**$38,599**	**$39,139**	**$39,916**	**$40,720**	**$41,543**	**$42,437**	**$43,304**	**$44,199**
6	Generation Debt Service	$14,252	$14,640	$13,763	$11,461	$10,210	$10,876	$11,029	$10,111	$9,682	$9,912	$9,777	$9,534	$6,374	$6,231	$6,261	$6,249	$6,271
7	Transmission Debt Service	$928	$926	$924	$832	$962	$894	$891	$889	$887	$884	$882	$879	$668	$644	$642	$639	$637
8	Lodi Facilities Debt Service	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
9	Distribution Capital Debt Service	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
10	**TOTAL DEBT SERVICE**	**$15,181**	**$15,566**	**$14,687**	**$12,293**	**$11,173**	**$11,770**	**$11,920**	**$11,000**	**$10,569**	**$10,796**	**$10,659**	**$10,413**	**$7,041**	**$6,875**	**$6,903**	**$6,888**	**$6,908**
11	Lodi Generation O&M	$9,237	$9,514	$9,799	$10,093	$10,396	$10,708	$11,029	$11,360	$11,701	$12,110	$12,296	$12,483	$12,678	$12,876	$13,078	$13,282	$13,491
12	Market Generation	$9,962	$10,741	$11,696	$12,737	$13,365	$14,025	$14,718	-$15,152	$15,598	$16,057	$16,530	$17,017	$17,359	$17,709	$18,066	$18,430	$18,801
13	**GENERATION EXPENSES**	**$9,237**	**$9,514**	**$9,799**	**$10,093**	**$10,396**	**$10,708**	**$11,029**	**$11,360**	**$11,701**	**$12,110**	**$12,296**	**$12,483**	**$12,678**	**$12,876**	**$13,078**	**$13,282**	**$13,491**
14	**TRANSMISSION O&M**	**$2,768**	**$2,787**	**$2,807**	**$2,826**	**$2,847**	**$2,867**	**$2,887**	**$2,908**	**$2,929**	**$2,951**	**$2,972**	**$2,054**	**$2,126**	**$2,200**	**$2,278**	**$2,358**	**$2,441**
15	Distribution O&M	$6,484	$6,646	$6,812	$6,982	$7,155	$7,334	$7,517	$7,704	$7,896	$8,093,	$8,295	$8,502	$8,714	$8,931	$9,154	$9,382	$9,616
16	Distribution Capital	$2,500	$2,500	$2,500	$2,000	$2,050	$2,101	$2,153	$2,207	$2,261	$2,318	$2,376	$2,435	$2,496	$2,558	$2,622	$2,687	$2,754
17	**TOTAL DISTRIBUTION EXPENSES**	**$8,984**	**$9,146**	**$9,312**	**$8,982**	**$9,205**	**$9,435**	**$9,670**	**$9,911**	**$10,157**	**$10,411**	**$10,671**	**$10,937**	**$11,210**	**$11,489**	**$11,776**	**$12,069**	**$12,370**
18	**PUBLIC BENEFITS EXPENSES**	**$1,031**	**$1,055**	**$1,043**	**$975**	**$958**	**$991**	**$1,012**	**$1,003**	**$1,008**	**$1,034**	**$1,043**	**$1,023**	**$942**	**$953**	**$970**	**$986**	**$1,003**
19	**TOTAL EXPENSES**	**$37,200**	**$38,068**	**$37,648**	**$35,169**	**$34,578**	**$35,771**	**$36,519**	**$36,182**	**$36,364**	**$37,302**	**$37,641**	**$36,910**	**$33,997**	**$34,394**	**$35,005**	**$35,584**	**$36,213**
		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
20	**BEGINNING FUND BALANCE**	**$22,519**	**$19,314**	**$15,518**	**$12,518**	**$12,776**	**$12,238**	**$11,293**	**$10,477**	**$10,586**	**$10,741**	**$8,259**	**$6,003**	**$5,280**	**$5,260**	**$5,608**	**$5,986**	**$6,397**
21	Working Reserves	$5,580	$5,710	$5,647	$5,275	$5,187	$5,366	$5,478	$5,427	$5,455	$5,595	$5,646	$5,537	$5,100	$5,159	$5,251	$5,338	$5,432
22	Lodi Facilities Reserve	995	$1,047	$1,096	$1,148	$1,202	$1,259	$1,318	$1,380	$1,445	$1,513	$1,584	$1,659	$1,737	$1,819	$1,905	$1,995	$2,089
23	ENCUMBERED RESERVES	$5,580	$5,710	$5,647	$5,275	$5,187	$5,366	$5,478	$5,427	$5,455	$5,595	$5,646	$5,537	$5,100	$5,159	$5,251	$5,338	$5,432
24	DISCRETIONARY RESERVES	$16,939	$13,604	$9,871	$7,243	$7,589	$6,872	$5,815	$5,050	$5,131	$5,146	$2,613	$466	$180	$101	$357	$648	$965
25	Interest Income	$275	$291	$306	$323	$340	$357	$378	$398	$419	$441	$466	$491	$518	$546	$574	$605	$638
26	Net Revenues	$1,089	$483	$1,264	$4,155	$3,342	$2,918	$3,026	$3,931	$3,956	$1,297	$1,498	$3,006	$6,723	$7,149	$7,432	$7,720	$7,986
27	TOTAL INCOME	$1,364	$774	$1,570	$4,478	$3,682	$3,275	$3,404	$4,329	$4,375	$1,738	$1,964	$3,497	$7,241	$7,695	$8,006	$8,325	$8,624
28	Lodi Facilities Expenditures	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
29	General Fund Capital Loan	$350	$350	$350	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
30	General Fund Transfer	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220
31	TOTAL EXPENDITURES	$4,570	$4,570	$4,570	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220
31a	Surplus Collection Rebate													-$3,041	-$3,128	-$3,408	-$3,695	-$3,963
32	**ENDING FUND BALANCE**	**$19,314**	**$15,518**	**$12,518**	**$12,776**	**$12,238**	**$11,293**	**$10,477**	**$10,586**	**$10,741**	**$8,259**	**$6,003**	**$5,280**	**$8,301**	**$8,735**	**$9,394**	**$10,092**	**$10,800**
														-$3,041	-$3,128	-$3,408	-$3,695	-$3,963
														-$6.85	-$6.94	-$7.45	-$7.96	-$8.41
		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
33	MWH Sales	372,472	377,975	383,559	389,227	394,979	400,817	406,741	412,755	418,858	425,051	431,338	437,718	444,193	450,765	457,435	464,204	471,074
34	Mkt Power - $/mwh	$26.75	$28.42	$30.49	$32.72	$33.84	$34.99	$36.19	$36.71	$37.24	$37.78	$38.32	$38.88	$39.08	$39.29	$39.49	$39.70	$39.91
35	Adjusted Regional Bundled - $/mwh	$102.30	$102.30	$102.29	$91.23	$91.95	$92.56	$93.38	$93.47	$93.48	$88.03	$88.22	$88.63	$89.07	$89.52	$89.98	$90.44	$90.90
36	Competitive Rate Surcharge(/Rebate)	($4.39)	($4.39)	($4.38)	$6.68	$0.92	$0.93	$0.93	$0.93	$0.00	$0.00	$0.00	$0.00	($6.85)	($6.94)	($7.45)	($7.96)	($8.41)
37	*System Average Rate - $/mwh*	$97.91	$97.91	$97.91	$97.91	$92.87	$93.48	$94.32	$94.40	$93.48	$88.03	$88.22	$88.63	*$82.23*	*$82.58*	*$82.53*	*$82.48*	*$82.49*

BASE CASE

UNBUNDLED RATES

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
DISTRIBUTION/NON-BYPASSABLE	$34.27	$35.00	$38.91	$36.42	$36.42	$36.54	$36.64	$36.66	$36.73	$36.85	$36.94	$36.96	$36.86	$36.96	$37.09	$37.21	$37.35
TRANSMISSION	$9.92	$9.82	$9.72	$9.40	$9.64	$9.38	$9.29	$9.20	$9.11	$9.02	$8.94	$6.70	$6.29	$6.31	$6.38	$6.46	$6.53
GENERATION	$53.72	$53.09	$30.49	$32.72	$33.84	$34.99	$36.19	$36.71	$37.24	$37.78	$38.32	$38.88	$39.08	$39.29	$39.06	$38.81	$38.60
CTC	$0.00	$0.00	$18.78	$19.36	$12.98	$12.57	$12.21	$11.83	$10.40	$4.38	$4.02	$6.09	$0.00	$0.02	$0.00	$0.00	$0.00
LODI SYSTEM AVG. RATE	$97.91	$97.91	$97.91	$97.91	$92.87	$93.48	$94.32	$94.40	$93.48	$88.03	$88.22	$88.63	$82.23	$82.58	$82.53	$82.48	$82.49
COMPETITIVE RATE	$102.30	$102.30	$102.29	$91.23	$91.95	$92.56	$93.38	$93.47	$93.48	$88.03	$88.22	$88.63	$89.07	$89.52	$89.98	$90.44	$90.90
MWH Sales	372,472	377,975	383,559	389,227	394,979	400,817	406,741	412,755	418,858	425,051	431,338	437,718	444,193	450,765	457,435	464,204	471,074

DISTRIBUTION/NON-BYPASSABLE	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Non-Operating Income	-$810	-$834	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interest Income	-$1,011	-$709	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Distribution Capital Debt Service	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Distribution O&M	$6,484	$6,646	$6,812	$6,982	$7,155	$7,334	$7,517	$7,704	$7,896	$8,093	$8,295	$8,502	$8,714	$8,931	$9,154	$9,382	$9,616
Distribution Capital	$2,500	$2,500	$2,500	$2,000	$2,050	$2,101	$2,153	$2,207	$2,261	$2,318	$2,376	$2,435	$2,496	$2,558	$2,622	$2,687	$2,754
PUBLIC BENEFITS EXPENSES	$1,031	$1,055	$1,043	$975	$958	$991	$1,012	$1,003	$1,008	$1,034	$1,043	$1,023	$942	$953	$970	$986	$1,003
General Fund Capital Loan	$350	$350	$350	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
General Fund Transfer	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220
	$12,764	$13,228	$14,925	$14,177	$14,383	$14,646	$14,902	$15,134	$15,385	$15,665	$15,934	$16,180	$16,372	$16,662	$16,966	$17,275	$17,593

TRANSMISSION	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transmission Debt Service	$928	$926	$924	$832	$962	$894	$891	$889	$887	$884	$882	$879	$668	$644	$642	$639	$637
Lodi Facilities Debt Service	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TRANSMISSION O&M	$2,768	$2,787	$2,807	$2,826	$2,847	$2,867	$2,887	$2,908	$2,929	$2,951	$2,972	$2,054	$2,126	$2,200	$2,278	$2,358	$2,441
	$3,696	$3,713	$3,730	$3,658	$3,809	$3,760	$3,778	$3,798	$3,816	$3,835	$3,854	$2,933	$2,793	$2,844	$2,920	$2,997	$3,078

GENERATION	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Market Generation			$11,696	$12,737	$13,365	$14,025	$14,718	$15,152	$15,598	$16,057	$16,530	$17,017	$17,359	$17,709	$18,066	$18,430	$18,801
Lodi Generation	$23,489	$24,154															
Generation	$23,489	$24,154	$11,696	$12,737	$13,365	$14,025	$14,718	$15,152	$15,598	$16,057	$16,530	$17,017	$17,359	$17,709	$18,066	$18,430	$18,801

BASE CASE

DISTRIBUTION/NON-BYPASSABLE COSTS

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Distribution O&M	$17.41	$17.58	$17.76	$17.94	$18.11	$18.30	$18.48	$18.66	$18.85	$19.04	$19.23	$19.42	$19.62	$19.81	$20.01	$20.21	$20.41
Distribution Capital	$6.71	$6.61	$6.52	$5.14	$5.19	$5.24	$5.29	$5.35	$5.40	$5.45	$5.51	$5.56	$5.62	$5.67	$5.73	$5.79	$5.85
Public Benefits Expenses	$2.77	$2.79	$2.72	$2.50	$2.43	$2.47	$2.49	$2.43	$2.41	$2.43	$2.42	$2.34	$2.12	$2.11	$2.12	$2.12	$2.13
General Fund Capital Loan	$0.94	$0.93	$0.91	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
General Fund Transfer	$11.33	$11.16	$11.00	$10.84	$10.68	$10.53	$10.38	$10.22	$10.08	$9.93	$9.78	$9.64	$9.50	$9.36	$9.23	$9.09	$8.96
CTC	$0.00	$0.00	$18.78	$19.36	$12.98	$12.57	$12.21	$11.83	$10.40	$4.38	$4.02	$6.09	$0.00	$0.02	$0.00	$0.00	$0.00
Lodi Total	$39.16	$39.08	$57.69	$55.79	$49.39	$49.11	$48.84	$48.49	$47.13	$41.23	$40.96	$43.05	$36.86	$36.99	$37.09	$37.21	$37.35
PG&E Distribution/Non-Bypassable	$72.68	$71.01	$68.93	$54.69	$54.24	$53.64	$53.22	$52.74	$52.18	$46.00	$45.60	$45.43	$45.58	$45.73	$45.88	$46.03	$46.18

TRANSMISSION EXPENSES - ALL CASES

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Other Contracts	$1.59	$1.59	$1.58	$1.58	$1.58	$1.57	$1.57	$1.57	$1.56	$1.56	$1.56	$1.55	$1.55	$1.54	$1.54	$1.54	$1.53
COTP/SOT	$2.57	$2.56	$2.55	$2.55	$2.54	$2.54	$2.53	$2.53	$2.52	$2.51	$2.51	$2.50	$2.50	$2.49	$2.49	$2.48	$2.48
Interconnection	$3.27	$3.23	$3.18	$3.13	$3.09	$3.04	$3.00	$2.95	$2.91	$2.87	$2.83	$2.79	$2.74	$2.70	$2.67	$2.63	$2.59
PG&E	$4.15	$4.16	$4.16	$4.38	$4.44	$4.47	$4.51	$4.54	$4.58	$4.62	$4.66	$4.69	$4.79	$4.88	$4.98	$5.08	$5.18

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PROPOSED

COST

STRUCTURE

AND

OPERATING

RESULTS

ALTERNATIVE 1

Line		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1	Maximum Competitive Revenues	$36,469	$37,008	$37,554	$37,998	$36,320	$37,098	$37,983	$38,579	$39,155	$37,418	$38,051	$38,795	$39,159	$40,354	$41,160	$41,982	$42,820
2	Non-Operating Income	$810	$834	$859	$885	$911	$939	$967	$996	$1,026	$1,056	$1,088	$1,121	$1,154	$1,189	$1,225	$1,261	$1,299
3	Interest Income	$1,011	$939	$792	$687	$696	$652	$588	$531	$522	$513	$369	$237	$177	$158	$136	$124	$126
4	Other Revenues	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	TOTAL REVENUES	$38,289	$38,781	$39,205	$39,570	$37,927	$38,689	$39,538	$40,106	$40,703	$38,987	$39,508	$40,153	$40,490	$41,701	$42,521	$43,367	$44,245
6	Generation Debt Service	$14,252	$14,640	$13,763	$11,461	$10,210	$10,876	$11,029	$10,111	$9,682	$9,912	$9,777	$9,534	$6,374	$6,231	$6,261	$6,249	$6,271
7	Transmission Debt Service	$928	$926	$924	$832	$962	$894	$891	$889	$887	$884	$882	$879	$668	$644	$642	$639	$637
8	Lodi Facilities Debt Service	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,920	$1,950	$1,985	$2,015	$2,045
9	Distribution Capital Debt Service	$842	$918	$918	$1,355	$1,355	$1,355	$1,355	$1,355	$1,792	$1,792	$1,792	$1,792	$2,282	$3,160	$3,157	$3,158	$3,158
10	TOTAL DEBT SERVICE	$16,022	$16,484	$15,605	$13,648	$12,528	$13,125	$13,275	$12,355	$12,361	$12,589	$12,451	$12,205	$11,243	$11,985	$12,045	$12,061	$12,111
11	Lodi Generation O&M	$9,237	$9,514	$9,799	$10,093	$10,396	$10,708	$11,029	$11,360	$11,701	$12,110	$12,296	$12,483	$12,678	$12,876	$13,078	$13,282	$13,491
12	Market Generation	$9,962	$10,741	$11,696	$12,737	$13,365	$14,025	$14,718	$15,152	$15,598	$16,057	$16,530	$17,017	$17,359	$17,709	$18,066	$18,430	$18,801
13	GENERATION EXPENSES	$9,237	$9,514	$9,799	$10,093	$10,396	$10,708	$11,029	$11,360	$11,701	$12,110	$12,296	$12,483	$12,678	$12,876	$13,078	$13,282	$13,491
14	TRANSMISSION O&M	$2,768	$2,787	$2,807	$2,826	$2,847	$2,867	$2,887	$2,908	$2,929	$2,951	$2,972	$2,054	$2,126	$2,200	$2,278	$2,358	$2,441
15	Distribution O&M	$6,484	$6,646	$6,812	$6,982	$7,155	$7,334	$7,517	$7,704	$7,896	$8,093	$8,295	$8,502	$8,714	$8,931	$9,154	$9,382	$9,616
16	Distribution Capital	$600	$618	$637	$656	$675	$696	$716	$738	$760	$783	$806	$831	$855	$881	$908	$935	$963
17	TOTAL DISTRIBUTION EXPENSES	$7,084	$7,264	$7,449	$7,638	$7,830	$8,030	$8,233	$8,442	$8,656	$8,876	$9,101	$9,333	$9,569	$9,812	$10,062	$10,317	$10,579
18	PUBLIC BENEFITS EXPENSES	$1,001	$1,027	$1,016	$975	$958	$990	$1,010	$999	$1,016	$1,041	$1,049	$1,028	$1,015	$1,051	$1,068	$1,084	$1,101
19	TOTAL EXPENSES	$36,111	$37,076	$36,676	$35,180	$34,558	$35,719	$36,435	$36,065	$36,664	$37,567	$37,870	$37,103	$36,632	$37,925	$38,530	$39,102	$39,722
		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
20	BEGINNING FUND BALANCE	$38,036	$36,490	$24,708	$18,350	$18,788	$18,220	$17,268	$16,467	$16,621	$16,791	$14,362	$12,171	$11,414	$11,488	$11,504	$11,759	$12,315
21	Working Reserves	$5,417	$5,561	$5,501	$5,277	$5,184	$5,358	$5,465	$5,410	$5,500	$5,635	$5,680	$5,565	$5,495	$5,689	$5,780	$5,865	$5,958
22	Lodi Facilities Reserve	$13,112	$13,730	$4,572	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
23	ENCUMBERED RESERVES	$18,529	$19,291	$10,073	$5,277	$5,184	$5,358	$5,465	$5,410	$5,500	$5,635	$5,680	$5,565	$5,495	$5,689	$5,780	$5,865	$5,958
24	DISCRETIONARY RESERVES	$19,507	$17,199	$14,635	$13,073	$13,604	$12,862	$11,803	$11,057	$11,121	$11,156	$8,682	$6,606	$5,919	$5,799	$5,724	$5,894	$6,357
25	Interest Income	$848	$242	$469	$269	$283	$298	$316	$333	$351	$370	$391	$413	$436	$460	$484	$511	$540
26	Net Revenues	$2,178	$1,704	$2,530	$4,389	$3,369	$2,970	$3,103	$4,041	$4,039	$1,420	$1,638	$3,050	$3,858	$3,776	$3,991	$4,265	$4,523
27	TOTAL INCOME	$3,024	$1,946	$2,999	$4,658	$3,652	$3,268	$3,419	$4,374	$4,390	$1,790	$2,029	$3,463	$4,294	$4,236	$4,475	$4,776	$5,063
28	Additional Stranded Cost Payment	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	-$407	$392	$318	$239	$161
29	Lodi Facilities Expenditures	$0	$9,158	$4,787	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
30	General Fund Capital Loan	$350	$350	$350	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
31	General Fund Transfer	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220
32	TOTAL EXPENDITURES	$4,570	$13,728	$9,357	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$3,813	$4,612	$4,538	$4,459	$4,381
33	ENDING FUND BALANCE	$36,490	$24,708	$18,350	$18,788	$18,220	$17,268	$16,467	$16,621	$16,791	$14,362	$12,171	$11,414	$11,895	$11,112	$11,441	$12,076	$12,997
		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
34	MWH Sales	372,472	377,976	383,559	389,227	394,970	400,817	406,741	412,755	418,858	425,051	431,338	437,718	444,193	450,765	457,435	464,204	471,074
35	Mkt Power - $/mwh	$26.75	$28.42	$30.49	$32.72	$33.84	$34.99	$36.19	$36.71	$37.24	$37.78	$38.32	$38.88	$39.08	$39.29	$39.49	$39.70	$39.91
36	Adjusted Regional Bundled - $/mwh	$102.30	$102.30	$102.29	$96.76	$91.95	$92.56	$93.38	$93.47	$93.48	$88.03	$88.22	$88.63	$89.07	$89.52	$89.98	$90.44	$90.90
37	Lodi System Average Rate - $/mwh	$97.91	$97.91	$97.91	$97.62	$91.95	$92.56	$93.38	$93.47	$93.48	$88.03	$88.22	$88.63	$88.16	$89.52	$89.98	$90.44	$90.90

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ALTERNATIVE 1

UNBUNDLED RATES

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
DISTRIBUTION/NON-BYPASSABLE	$31.35	$31.77	$36.38	$36.45	$36.36	$36.41	$36.43	$36.38	$37.44	$37.48	$37.47	$37.40	$39.38	$39.60	$39.76	$39.94	$40.11
TRANSMISSION	$9.92	$9.82	$9.72	$9.40	$9.64	$9.38	$9.29	$9.20	$9.11	$9.02	$8.94	$6.70	$10.61	$10.64	$10.72	$10.80	$10.87
GENERATION	$56.64	$56.32	$30.49	$32.72	$33.84	$34.99	$36.19	$36.71	$37.24	$37.78	$38.32	$38.88	$39.08	$39.29	$39.49	$39.70	$39.91
CTC	$0.00	$0.00	$21.32	$18.19	$12.11	$11.77	$11.48	$11.18	$9.69	$3.76	$3.49	$5.65	$0.00	$0.00	$0.00	$0.00	$0.00
System Average Rate	$97.91	$97.91	$97.91	$96.76	$91.95	$92.56	$93.38	$93.47	$93.48	$88.03	$88.22	$88.63	$89.07	$89.52	$89.98	$90.44	$90.90
COMPETITIVE RATE	$102.30	$102.30	$102.29	$96.76	$91.95	$92.56	$93.38	$93.47	$93.48	$88.03	$88.22	$88.63	$89.07	$89.52	$89.98	$90.44	$90.90
Market Power	$26.75	$28.42	$30.49	$32.72	$33.84	$34.99	$36.19	$36.71	$37.24	$37.78	$38.32	$38.88	$39.08	$39.29	$39.49	$39.70	$39.91
MWH Sales	372,472	377,975	383,559	389,227	394,979	400,817	406,741	412,755	418,858	425,051	431,338	437,718	444,193	450,765	457,435	464,204	471,074

DISTRIBUTION/NON-BYPASSABLE	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Additional Stranded Cost Payment													$407	-$392	-$318	-$239	-$161
Non-Operating Income	-$810	-$834	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interest Income	-$1,011	-$939	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Distribution Capital Debt Service	$842	$918	$918	$1,355	$1,355	$1,355	$1,355	$1,355	$1,792	$1,792	$1,792	$1,792	$2,282	$3,160	$3,157	$3,158	$3,158
Distribution O&M	$6,484	$6,646	$6,812	$6,982	$7,155	$7,334	$7,517	$7,704	$7,896	$8,093	$8,295	$8,502	$8,714	$8,931	$9,154	$9,382	$9,616
Distribution Capital	$600	$618	$637	$656	$675	$696	$716	$738	$760	$783	$806	$831	$855	$881	$908	$935	$963
Public Benefits Expenses	$1,001	$1,027	$1,016	$975	$958	$990	$1,010	$999	$1,016	$1,041	$1,049	$1,028	$1,015	$1,051	$1,068	$1,084	$1,101
General Fund Capital Load	$350	$350	$350	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
General Fund Transfer	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220	$4,220
	$11,676	$12,006	$13,953	$14,188	$14,363	$14,594	$14,818	$15,016	$15,684	$15,929	$16,163	$16,373	$17,494	$17,851	$18,189	$18,540	$18,896

TRANSMISSION	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transmission Debt Service	$928	$926	$924	$832	$962	$894	$891	$889	$887	$884	$882	$879	$668	$644	$642	$639	$637
Lodi Facilities Debt Service	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,920	$1,950	$1,985	$2,015	$2,045
Transmission O&M	$2,768	$2,787	$2,807	$2,826	$2,847	$2,867	$2,887	$2,908	$2,929	$2,951	$2,972	$2,054	$2,126	$2,200	$2,278	$2,358	$2,441
	$3,696	$3,713	$3,730	$3,658	$3,809	$3,760	$3,778	$3,798	$3,816	$3,835	$3,854	$2,933	$4,713	$4,794	$4,905	$5,012	$5,123

GENERATION	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Market Generation			$11,696	$12,737	$13,365	$14,025	$14,718	$15,152	$15,598	$16,057	$16,530	$17,017	$17,359	$17,709	$18,066	$18,430	$18,801
Lodi Generation	$23,489	$24,154	$9,799	$10,093	$10,396	$10,708	$11,029	$11,360	$11,701	$12,110	$12,296	$12,483	$12,678	$12,876	$13,078	$13,282	$13,491
Generation	$23,489	$24,154	$11,696	$12,737	$13,365	$14,025	$14,718	$15,152	$15,598	$16,057	$16,530	$17,017	$17,359	$17,709	$18,066	$18,430	$18,801

CTC	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Lodi Generation O&M			$9,799	$10,093	$10,396	$10,708	$11,029	$11,360	$11,701	$12,110	$12,296	$12,483	$12,678	$12,876	$13,078	$13,282	$13,491
Market Generation			-$11,696	-$12,737	-$13,365	-$14,025	-$14,718	-$15,152	-$15,598	-$16,057	-$16,530	-$17,017	-$17,359	-$17,709	-$18,066	-$18,430	-$18,801
CTC Offset			-$1,896	-$2,644	-$2,969	-$3,317	-$3,689	-$3,791	-$3,897	-$3,946	-$4,234	-$4,533	-$4,681	-$4,833	-$4,989	-$5,148	-$5,310
Non-Opérating Income			-$859	-$885	-$911	-$939	-$967	-$996	-$1,026	-$1,056	-$1,088	-$1,121	-$1,154	-$1,189	-$1,225	-$1,261	-$1,299
Interest Income			-$792	-$687	-$696	-$652	-$588	-$531	-$522	-$513	-$369	-$237	-$177	-$158	-$136	-$124	-$126
Generation Debt Service			$13,763	$11,461	$10,210	$10,876	$11,029	$10,111	$9,682	$9,912	$9,777	$9,534	$6,374	$6,231	$6,261	$6,249	$6,271
CTC			$10,216	$7,245	$5,634	$5,968	$5,785	$4,792	$4,238	$4,397	$4,086	$3,642	$0	$0	$0	$0	$0
													$362	$51	-$88	-$284	-$464

ALTERNATIVE 1

DISTRIBUTION/NON-BYPASSABLE COSTS

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Distribution O&M	$12.52	$12.89	$17.76	$17.94	$18.11	$18.30	$18.48	$18.66	$18.85	$19.04	$19.23	$19.42	$20.53	$18.94	$19.32	$19.70	$20.07
Distribution Capital	$3.87	$4.06	$4.05	$5.17	$5.14	$5.12	$5.09	$5.07	$6.09	$6.06	$6.02	$5.99	$7.06	$8.97	$8.89	$8.82	$8.75
Public Benefits Expenses	$2.69	$2.72	$2.65	$2.50	$2.42	$2.47	$2.48	$2.42	$2.43	$2.45	$2.43	$2.35	$2.29	$2.33	$2.33	$2.33	$2.34
General Fund Capital Loan	$0.94	$0.93	$0.91	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
General Fund Transfer	$11.33	$11.16	$11.00	$10.84	$10.68	$10.53	$10.38	$10.22	$10.08	$9.93	$9.78	$9.64	$9.50	$9.36	$9.23	$9.09	$8.96
CTC	$0.00	$0.00	$26.63	$18.61	$14.26	$14.89	$14.22	$11.61	$10.12	$10.34	$9.47	$8.32	$0.00	$0.00	$0.00	$0.00	$0.00
PG&E Distribution/Non-Bypassable	$72.68	$71.01	$68.93	$54.69	$54.24	$53.64	$53.22	$52.74	$52.18	$46.00	$45.60	$45.43	$45.58	$45.73	$45.88	$46.03	$46.18
Lodi Total	$31.35	$31.77	$63.01	$55.07	$50.63	$51.30	$50.65	$47.99	$47.56	$47.82	$46.94	$45.73	$39.38	$39.60	$39.76	$39.94	$40.11
MWH Sales	372,472	377,975	383,559	389,227	394,979	400,817	406,741	412,755	418,858	425,051	431,338	437,718	444,193	450,765	457,435	464,204	471,074

TRANSMISSION EXPENSES - ALL CASES

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
)ther Contracts	$1.59	$1.59	$1.58	$1.58	$1.58	$1.57	$1.57	$1.57	$1.56	$1.56	$1.56	$1.55	$1.55	$1.54	$1.54	$1.54	$1.53
:OTP/SOT	$2.57	$2.56	$2.55	$2.55	$2.54	$2.54	$2.53	$2.53	$2.52	$2.51	$2.51	$2.50	$2.50	$2.49	$2.49	$2.48	$2.48
nterconnection	$3.27	$3.23	$3.18	$3.13	$3.09	$3.04	$3.00	$2.95	$2.91	$2.87	$2.83	$2.79	$2.74	$2.70	$2.67	$2.63	$2.59
'G&E	$4.15	$4.16	$4.16	$4.38	$4.44	$4.47	$4.51	$4.54	$4.58	$4.62	$4.66	$4.69	$4.79	$4.88	$4.98	$5.08	$5.18

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ALTERNATIVE 1

REVENUES	2011	2012	2013	2014	2015
REGULATORY					
Distribution O&M	$8,714	$8,931	$9,154	$9,382	$9,616
Distribution Capital	$855	$881	$908	$935	$963
Distribution Debt Service	$2,282	$3,160	$3,157	$3,158	$3,158
Transmission O&M	$2,126	$2,200	$2,278	$2,358	$2,441
Transmission Debt Service	$668	$644	$642	$639	$637
Lodi Facilities Debt Service	$1,920	$1,950	$1,985	$2,015	$2,045
Public Benefits	$1,015	$1,051	$1,068	$1,084	$1,101
General Fund Transfer	$4,220	$4,220	$4,220	$4,220	$4,220
	$21,800	$23,037	$23,411	$23,791	$24,180
Market Generation	$17,359	$17,709	$18,066	$18,430	$18,801
TOTAL REGULATORY REVENUES	$39,159	$40,746	$41,478	$42,221	$42,981
TOTAL COMPETITIVE REVENUES	$39,566	$40,354	$41,160	$41,982	$42,820
TOTAL RETAIL REVENUES	***$39,159***	***$40,354***	***$41,160***	***$41,982***	***$42,820***
Non-Operating Income	$1,154	$1,189	$1,225	$1,261	$1,299
Interest Income	$177	$158	$136	$124	$126
TOTAL REVENUES	**$40,490**	**$41,701**	**$42,521**	**$43,367**	**$44,245**

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EXPENSES	2011	2012	2013	2014	2015
Distribution O&M	$8,714	$8,931	$9,154	$9,382	$9,616
Distribution Capital	$855	$881	$908	$935	$963
Distribution Debt Service	$2,282	$3,160	$3,157	$3,158	$3,158
Transmission O&M	$2,126	$2,200	$2,278	$2,358	$2,441
Transmission Debt Service	$668	$644	$642	$639	$637
Lodi Facilities Debt Service	$1,920	$1,950	$1,985	$2,015	$2,045
Public Benefits	$1,015	$1,051	$1,068	$1,084	$1,101
Generation Debt Service	$6,374	$6,231	$6,261	$6,249	$6,271
Generation O&M	$12,678	$12,876	$13,078	$13,282	$13,491
General Fund Transfer	$4,220	$4,220	$4,220	$4,220	$4,220
TOTAL EXPENSES	$40,852	$42,145	$42,750	$43,322	$43,942
BEGINNING FUND BALANCE	$11,414	$11,488	$11,633	$12,000	$12,660
Interest Income	$436	$589	$596	$615	$649
Excess Revenues/Revenue Deficiency	-$362	-$444	-$229	$45	$303
ENDING FUND BALANCE	$11,488	$11,633	$12,000	$12,660	$13,612

Gen DS	$6,374	$6,231	$6,261	$6,249	$6,271
Gen O&M	$12,678	$12,876	$13,078	$13,282	$13,491
Total	$19,052	$19,108	$19,339	$19,531	$19,762

DETAIL OF STRANDED COST SUBSIDY
PAID FROM RESERVES 2011-2015

	2011	2012	2013	2014	2015
Cost Subsidy					
Competitive Subsidy					
Add to Distribution O&M					

GENERATION	2011	2012	2013	2014	2015	GENERATION
Market Generation	$17,359	$17,709	$18,066	$18,430	$18,801	Market Generation
Lodi Generation	$12,678	$12,876	$13,078	$13,282	$13,491	Lodi Generation
Generation	$17,359	$17,709	$18,066	$18,430	$18,801	Generation

Generation Debt Service	$6,374	$6,231	$6,261	$6,249	$6,271
Revenue Offset	-$4,681	-$4,833	-$4,989	-$5,148	-$5,310
Non-Operating Income	-$1,154	-$1,189	-$1,225	-$1,261	-$1,299
Interest Income	-$177	-$158	-$136	-$124	-$126
NET STRANDED COSTS	$362	$51	-$88	-$284	-$464
Total Revenues	$40,490	$41,701	$42,521	$43,367	$44,245
Total Expenses	-$36,632	-$37,925	-$38,530	-$39,102	-$39,722
General Fund Transfer	-$4,220	-$4,220	-$4,220	-$4,220	-$4,220
COST SUBSIDY	-$362	-$444	-$229	$45	$303
Distribution Debt Service	$2,282	$3,160	$3,157	$3,158	$3,158
Distribution O&M	$8,714	$8,931	$9,154	$9,382	$9,616
Distribution Capital	$855	$881	$908	$935	$963
Public Benefits	$1,015	$1,051	$1,068	$1,084	$1,101
General Fund Transfer	$4,220	$4,220	$4,220	$4,220	$4,220
Transmission	$4,713	$4,794	$4,905	$5,012	$5,123
Market Generation	$17,359	$17,709	$18,066	$18,430	$18,801
	$39,159	$40,746	$41,478	$42,221	$42,981
Sales	444,193	450,765	457,435	464,204	471,074
Lodi Average	$88.16	$90.39	$90.67	$90.95	$91.24
Market Rate	$89.07	$89.52	$89.98	$90.44	$90.90
	[redacted]				
COMPETITIVE SUBSIDY	$407	-$392	-$318	-$239	-$161
COST SUBSIDY	-$362	-$444	-$229	$45	$303
ACTUAL SUBSIDY	**$0**	**-$392**	**-$318**	**-$239**	**-$161**